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EXXARO RESOURCES LIMITED GROUP ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020



POWERING POSSIBILITY

Exxaro Resources Limited

Group and company annual financial
statements for the year ended
31 December 2020

**POWERING A
CLEAN WORLD**



2 ACRONYMS

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ACRONYMS

AGM	Annual general meeting
Amakhala SPV	Amakhala Emoyeni RE Project 1 (RF) Proprietary Limited
AMSA	ArcelorMittal SA Limited
Anglo	Anglo South Africa Capital Proprietary Limited
API4	All publications index 4 (FOB Richards Bay 6000/kcal/kg)
Arnot OpCo	Arnot OpCo Proprietary Limited
AU\$	Australian dollar
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BEE Parties	External shareholders of Eyesizwe
Black Mountain	Black Mountain Proprietary Limited
CAF	Combined Assurance Forum
Cennergi	Cennergi Proprietary Limited or Cennergi group of companies
CEO	Chief executive officer
CFR	Cost and freight
CGU	Cash-generating unit
Chifeng	Chifeng Kumba Hongye Corporation Limited
Companies Act	Companies Act No 71 of 2008 of South Africa, as amended
CPI	Consumer price index
cps	Cents per share
Curapipe	Curapipe Systems Limited
DBP	Deferred bonus plan
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
DMRE	Department of Mineral Resources and Energy
DMTN	Domestic Medium-Term Note
Dorstfontein	Dorstfontein Coal Mines Proprietary Limited
DVA	Debit value adjustment
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net loss or gain on disposal of assets and investments (including translation differences recycled to profit or loss)
ECC	Exxaro Coal Central Proprietary Limited
ECL(s)	Expected credit loss(es)
EMJV	Ermelo joint venture
ESD	Enterprise and supplier development
ESG	Environmental, social and governance
ESOP	Employee share option scheme
Exxaro	Exxaro Resources Limited
Exxaro Beijing	Exxaro Resources (Beijing) Commercial Company Limited
Exxaro Community NPC	Exxaro Matla Setshabeng Development NPC
Exxaro ESOP SPV	Exxaro ESOP SPV RF Proprietary Limited
Eyesizwe	Eyesizwe (RF) Proprietary Limited, special purpose private company which has a 30% shareholding in Exxaro
FCTR	Foreign currency translation reserve
FEC(s)	Forward exchange contract(s)
Ferroland	Ferroland Grondtrust Proprietary Limited
FOB	Free on board
FPR	Financial Provisioning Regulations, 2015
FVOCI	Fair value through other comprehensive income

FVPL	Fair value through profit or loss
GAM	Global Asset Management Limited
GG	Grootegeeluk
GWh	Gigawatt hour
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IAS 36	IAS 36 <i>Impairment of Assets</i>
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard(s)
IFRS 2	IFRS 2 <i>Share-based Payment</i>
IFRS 3	IFRS 3 <i>Business Combinations</i>
IFRS 5	IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>
IFRS 9	IFRS 9 <i>Financial Instruments</i>
IFRS 16	IFRS 16 <i>Leases</i>
IM	Information management
Insect Technology	Insect Technology Group Holdings UK Limited
IPP	Independent power producer
IT	Information technology
JIBAR	Johannesburg Interbank Agreed Rate
JSE	JSE Limited
JV	Joint venture
kcal	Kilocalorie
Khopoli	Khopoli Investments Limited
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016*
KIO	Kumba Iron Ore Limited
KPI(s)	Key performance indicator(s)
Lebonix	Lebonix Proprietary Limited
LGD	Loss given default
LightApp	LightApp Technologies Limited
Listings Requirements	JSE Listings Requirements
LoM	Life of mine
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
Mol	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002
Mt	Million tonnes
NBC	North Block Complex
NCI(s)	Non-controlling interest(s)
NCOE	Notional cost of employment
NEMA	National Environmental Management Act, 1998
NPC	Not-for-profit company
OCI	Other comprehensive income
PD	Probability of default

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ACRONYMS continued

PIC	Public Investment Corporation
PPI	Producer Price Index
Prime Rate	South African prime bank rate
PwC	PricewaterhouseCoopers Incorporated
RBCT	Richards Bay Coal Terminal Proprietary Limited
Replacement BEE Transaction	BEE transaction which was implemented in 2017 and resulted in Exxaro being held 30% by HDSAs
Rm	Rand million
ROCE	Return on capital employed
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SARS	South African Revenue Service
SIOC	Sishen Iron Ore Company Proprietary Limited
SME(s)	Small-to-medium enterprise(s)
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TiO₂	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tronox UK	Tronox Sands Limited Liability Partnership in the United Kingdom
Tsitsikamma SPV	Tsitsikamma Community Wind Farm Proprietary Limited
TSR	Total shareholder return
Tumelo	Tumelo Coal Mines Proprietary Limited
TVP(s)	Targeted voluntary severance package(s)
UK	United Kingdom
US\$	United States dollar
USA	United States of America
VAT	Value added tax
WANOS	Weighted average number of ordinary shares

CHAPTER 1:

THE YEAR IN BRIEF

6 The year in brief



CHAPTER 1:

The year in brief

HIGHLIGHTS

R28.9 billion

Revenue, up 12%

R7.8 billion

Cash generated by operations, up 47%

R7.2 billion

EBITDA, up 22%

R12.43 per share

Final dividend

R6.4 billion

Equity-accounted income, up 37%

R5.43 per share

Special dividend

GROUP FINANCIAL RESULTS

REVENUE

Group revenue increased by 12% to R28 924 million (2019: R25 726 million), mainly due to higher commercial coal revenue and record coal export volumes as well as the inclusion of renewable energy sales from 1 April 2020.

EARNINGS

Earnings decreased by 26% to R7 283 million (2019: R9 809 million) or 2 902 cps (2019: 3 908 cps). The decrease in earnings was mainly due to the BEE Parties sharing in the consolidated Eyesizwe results for 12 months in 2020, compared to two months in 2019, partially offset by better profitability from controlled operations and higher equity-accounted income from non-controlled operations.

Other contributing factors for the lower earnings were:

- Impairment of the ECC operation, amounting to R1 378 million
- Impairment of investments in associates, amounting to R504 million
- An increase in finance costs of R692 million, mainly relating to the consolidation of Cennergi from 1 April 2020
- Gain on partial disposal of our Tronox investments (including the realisation of the foreign currency revaluation reserve) amounting to R2 336 million in 2019,

partially offset by:

- Improved EBITDA performance of R1 293 million
- R1 718 million increase in our share of income of equity-accounted investments
- Gain on deemed disposal of the Cennergi JV amounting to R1 321 million.

Headline earnings decreased to R7 417 million (2019: R7 599 million) or 2 955 cps (2019: 3 027 cps). Refer note 5.3 for the detailed headline earnings reconciliation.

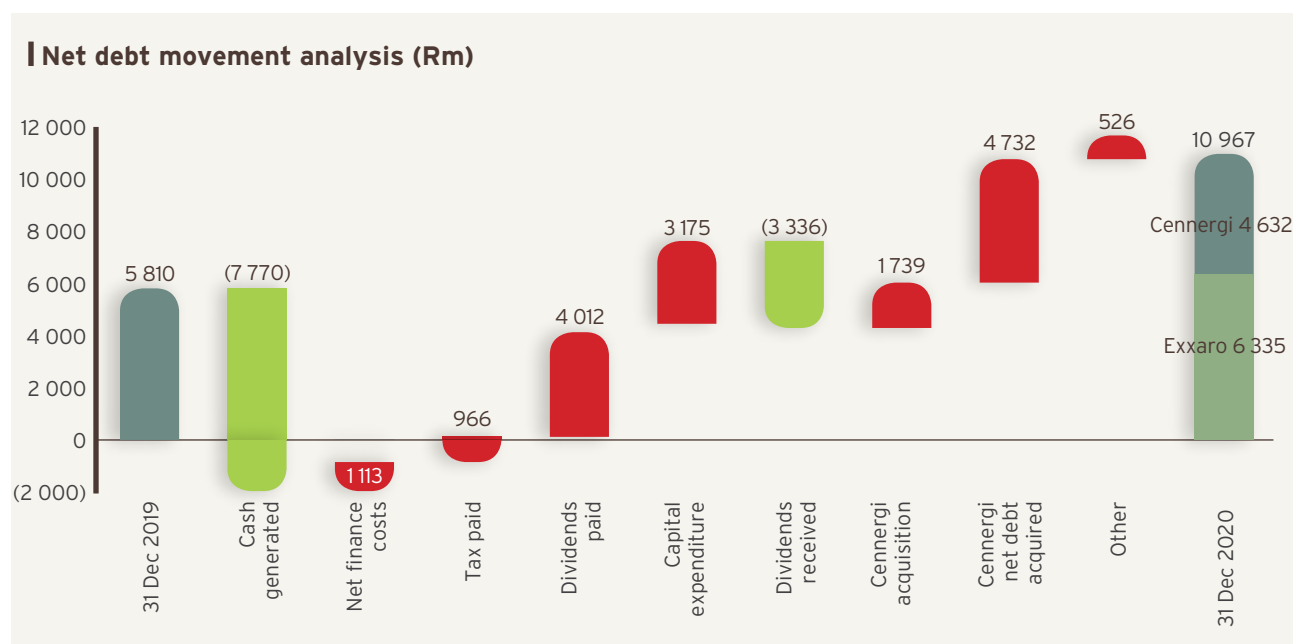
CASH FLOW AND FUNDING

Cash generated by operations of R7 770 million (2019: R5 273 million) increased by 47% and, together with dividend income from our equity-accounted investments of R3 263 million (2019: R4 146 million), were sufficient to fund capital expenditure, ordinary dividends paid, taxes and net finance costs.

Total capital expenditure of R3 175 million (2019: R6 076 million) decreased by R2 901 million, comprising R277 million decrease in sustaining and environmental capital (stay-in-business capital) and R2 624 million decrease in new capacity (expansion capital).

DEBT EXPOSURE

Net debt for the year ended 31 December 2020 increased by R525 million to R6 335 million (excluding Cennergi's net debt of R4 632 million) (2019: R5 810 million). The main cash outflow items during 2020 include the funding of our capital expenditure programme of R3 175 million, R198 million cash payment in respect of contingent consideration and R1 739 million for the acquisition of the remaining 50% interest in Cennergi.



CHAPTER 1:

The year in brief continued

COAL BUSINESS

Notwithstanding the COVID-19 lockdown restrictions imposed in 2020, steam coal demand remained fairly steady in the domestic market. There was good offtake from Eskom at Matimba Power Station, with Medupi Power Station falling slightly short for the year. Eskom did not take coal from Leeuwpan and ECC as the parties are still in the process of concluding new coal supply agreements.

Demand from AMSA was impacted due to the initial lockdown restrictions and lower steel demand. AMSA's offtake recovered somewhat with the easing of the lockdown restrictions.

Internationally, the onset of the COVID-19 pandemic impacted global demand as industries ceased production under lockdown conditions. This was evident in the sponge iron markets on the East Coast of India. As restrictions eased, demand in India returned to pre-pandemic levels in the last quarter of 2020. The import ban on Australian thermal coal into China caused a stir as China imported coal from South Africa. In turn, Australian coal found its way into the Indian and Pakistani power generation and cement markets.

The average benchmark API4 RBCT export price of US\$65 per tonne was 10% lower (2019: US\$72 per tonne), resulting in an 11% lower average price per tonne achieved of US\$48 (2019: US\$54 per tonne). The average spot exchange rate was weaker at R16.45 to the US dollar (2019: R14.44).

CAPEX AND PROJECTS

Exxaro's coal capital expenditure of R3 060 million decreased by 47%, driven by lower expansion capital spend. At Grooteegeluk, the GG6 project was delayed by seven months due to the impact of the COVID-19 pandemic, resulting in an overall delay of 13 months. The current estimated capital overrun of approximately 10% for the GG6 project is still as per previous guidance provided. The forecast final cost to completion is expected to be R5 300 million with project close-out expected in the second quarter of 2022. The rapid load out station at Grooteegeluk and the Belfast mine have been completed within budget.

Coal capex	2020 Rm	2019 Rm	Change %
Sustaining	2 110	2 245	(6)
Commercial – Waterberg	1 683	1 753	(4)
Commercial – Mpumalanga	411	475	(13)
Other	16	17	
Expansion	950	3 572	(73)
Commercial – Waterberg	643	1 198	(46)
Commercial – Mpumalanga	307	2 301	(87)
Other		73	
Total coal capex	3 060	5 817	(47)

EQUITY-ACCOUNTED INVESTMENT

Mafube, a 50% JV with Anglo, recorded lower equity-accounted income of R67 million (2019: R127 million) mainly due to the impact of the COVID-19 lockdown restrictions imposed during the first half of 2020.

ENERGY BUSINESS

The effective date of consolidation of Cennergi into the Exxaro group was 1 April 2020 (refer note 8.3 for detail of the business combination), reporting a net operating profit of R379 million for the nine-month period ended 31 December 2020. Cash generated for the nine-month period was R714 million.

Net operating profit	2020 Rm	2019 Rm
Cennergi nine-month performance	379	
Other energy operations	(22)	
Impairment of associate: GAM		(58)
Gain on deemed disposal of JV	1 321	
Losses on share of cash flow hedge reserve recycled to profit or loss on deemed disposal of JV	(59)	
Total net operating profit	1 619	(58)

Total generation output at 553 GWh for the nine-month period is marginally below planned numbers due to lower wind conditions. Equipment performance and Eskom grid availability remain according to plan. Electricity generated for the 12-month period amounted to 727 GWh, which is slightly lower (-4%) than 2019, which was an exceptionally good year for generation, especially in July 2019 where the Amakhala windfarm generated more than 150% of its intended target.

FERROUS BUSINESS

EQUITY-ACCOUNTED INVESTMENT

The 39% increase of R1 712 million in equity-accounted income from SIOC to R6 125 million (2019: R4 413 million), was primarily driven by the higher iron-ore prices in combination with cost-saving initiatives implemented.

Dividends amounting to R3 119 million (2019: R4 051 million) were received from our investment in SIOC. SIOC has declared a final dividend to its shareholders in February 2021. Exxaro's 20.62% share of the dividend amounts to R3 663 million. The dividend will be accounted for in 2021.

TiO₂ BUSINESS

EQUITY-ACCOUNTED INVESTMENT

Equity-accounted income of R207 million from Tronox SA was in line with the previous year's equity-accounted income of R234 million.

Subsequent to 31 December 2020, Exxaro divested from its investments in Tronox (refer note 18.4).

OTHER

BLACK MOUNTAIN

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain following the suspension of the sale process in December 2020.

INSECT TECHNOLOGY

The investment in Insect Technology was no longer considered to be a strategic fit for Exxaro. Consequently Exxaro will not participate in any further fund raising.

Insect Technology was unable to raise funding for pre-commissioning, research and development as well as operational expenses. The delays in the fund raising had an impact on working capital requirements and the company found itself in severe financial distress. Due to the uncertainty of whether Insect Technology will continue as a going concern, a decision was taken to fully impair the investment (refer note 8.5).

CURAPIPE

The investment in Curapipe was identified not to be a strategic fit for Exxaro and as a result, Exxaro embarked on a divestment process during 2020 for the total equity interest in Curapipe. On 30 June 2020, the investment in Curapipe was impaired to US\$1. Subsequently, the investment was sold on 9 November 2020 under a deferred compensation offer comprising a cash component of US\$1 and a contingent consideration receivable component.

SALE OF NON-CORE ASSETS AND INVESTMENTS

As mentioned previously, we undertook a strategic decision to dispose of our total equity interest in ECC and our Leeuwpan operation, having identified these assets as non-core to the future objectives of Exxaro. The resultant sales process is well underway and good progress has been made notwithstanding the COVID-19 environment. We are close to finalising the disposal of ECC with an announcement expected in the first half of 2021. On 31 December 2020, the ECC operation met all the criteria to be classified as a non-current asset held-for-sale (refer note 8.4). The disposal process for the Leeuwpan operation continues.

PERFORMANCE AGAINST NEW B-BBEE CODES

While the 2020 audit is still in progress, we are expected to maintain our level 2 B-BBEE status. The certificate will be published as soon as the audit is concluded.

SUSTAINABLE DEVELOPMENT

The COVID-19 pandemic has highlighted the deeply connected nature of our society and emphasised the importance of an integrated sustainable development approach, focused on agile responses to short-term challenges, while continuing to support a Just Transition towards a low-carbon economy and sustainable communities. Our embedded safety and health strategies and stakeholder relations have enabled us to respond timeously and effectively to the pandemic. Further details will be available in our 2020 integrated report.

TAKING A PROACTIVE APPROACH TO STEWARDSHIP

We continue to integrate responsible management practices into our operations, taking a holistic approach to climate change and environmental stewardship.

Outcome of the Taskforce on Climate Related Financial Disclosures (TCFD) Assessment

We have concluded the TCFD Assessment of the risks and opportunities to our business and the ability to remain resilient against climate change. The assessment has been invaluable in reaffirming our strategic considerations for sustainable growth and impact in preparation for a lower-carbon economy.

CHAPTER 1:

The year in brief continued

SUSTAINABLE DEVELOPMENT continued

TAKING A PROACTIVE APPROACH TO STEWARDSHIP continued

Outcome of the Taskforce on Climate Related Financial Disclosures (TCFD) Assessment continued

The assessment results considered a future scenario where temperature increases do not exceed 2°C, in line with the Paris Agreement commitment. In this context Exxaro established and communicated a target of being carbon neutral by 2050, which we will achieve through, inter alia, a reduction in emissions to be determined. We are pleased to report that Exxaro achieved an alignment of between 90% and 100% to the TCFD recommendations. The gaps identified are addressed through our Sustainable Growth and Impact strategy in terms of describing how we will manage climate-related opportunities and the resilience of the business.

Environmental Incidents

In 2020 our Environmental Incidents Management Standard was reviewed and changes introduced in order to ensure that all environmental incidents are tracked, including incidents which had no visible environmental impacts (level zero incidents). We now have level 0 and level 1 to level 3 environmental incidents classifications. The classifications are based on the materiality of the risk or impact. This change standard will be implemented from 2021. In 2020 we had zero level 2 and level 3 incidents and 94 level 1 incidents.

SHAREHOLDER RETURN

In terms of our capital allocation framework, we will remain prudent in returning cash to shareholders, managing debt, and selectively reinvesting for the growth of our business. Exxaro's declared dividend policy was previously based on two components: a pass through of the SIOC dividend received and a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

Our strategic approach to build our renewable energy business necessitated a review of our dividend policy. The board of directors therefore approved for the targeted cover ratios to be applied on Exxaro group earnings and not only coal earnings. The revised dividend policy is therefore as follows:

- 2.5 times to 3.5 times group core net profit after tax (excluding SIOC core equity-accounted income) less NCIs of Exxaro subsidiaries (excluding NCIs of Eyesizwe), "adjusted group earnings"
- Pass through of the SIOC dividend received

The targeted gearing ratio of below 1.5 times net debt to EBITDA remains unchanged.

The board of directors has declared a cash dividend, in line with the revised policy, comprising:

- 2.5 times adjusted group earnings and
- Pass through of SIOC dividend receivable of R3 663 million.

Based on the revised dividend policy, Exxaro declared a final dividend of 1 243 cps for 2020.

Taking into account the estimated proceeds of R5 763 million received from the disposal of Exxaro's shareholding in Tronox Holdings plc, the board of directors has resolved to pay a special dividend of 543 cps (approximately R1 363 million to external shareholders) and to implement a share buy-back programme of R1.5 billion.

The total dividend declared for 2020 is R24.29 per share, which includes the special dividend. We are proud to report that normal ordinary dividends declared for the 2020 financial year are the highest in Exxaro's history.

Historic dividend declarations



CHAPTER 2:

REPORTS

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CHAPTER 2:

Reports

2.1 RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that:

- (a) The annual financial statements of the group and company as set out on pages 30 to 179, fairly present in all material respects the financial position, financial performance and cash flows of the group and company in terms of with IFRS
- (b) No facts have been omitted nor untrue statements made that would make the annual financial statements of the group and company false or misleading
- (c) Internal financial controls have been in place to ensure that material information relating to the company and its subsidiaries, have been provided to effectively prepare the group and company annual financial statements
- (d) The internal financial controls are adequate and effective and can be relied upon in compiling the group and company annual financial statements 2020, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we were not satisfied, we have disclosed to the audit committee and the independent external auditor the deficiencies in design and operational effectiveness of the internal financial controls including and if any fraud that involves directors and have taken the necessary remedial action.



MDM Mgojo
Chief executive officer



PA Koppeschaar
Finance director

Centurion
19 April 2021

2.2 CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, AK Maré, duly authorised representative of Inlexso Proprietary Limited, in my capacity as acting group company secretary, confirm that, to the best of my knowledge and belief, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 December 2020, as required of a public company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.



AK Maré
Acting group company secretary

Centurion
19 April 2021

2.3 REPORT OF THE DIRECTORS

The directors have pleasure in presenting the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2020 (group and company annual financial statements 2020).

NATURE OF BUSINESS

Exxaro is a large South African-based diversified resources group with interests in the coal, energy, ferrous and TiO₂ markets. Exxaro's assets vary between controlled and operated assets, joint operation as well as equity-accounted investments. The major controlled assets are the coal operations, with Exxaro being one of the top-five coal producers in South Africa and, in turn, Grooteegeluk is acknowledged as one of the most efficient mining operations globally and runs the world's largest coal beneficiation complex.

While coal is the core of our business now and for decades to come, Exxaro understands the finite nature of the fossil-fuel sector and changing global imperatives. Exxaro therefore acquired Tata Power's 50% interest in Cennergi on 1 April 2020 giving Exxaro a 100% interest in the Cennergi group, a wind-farm energy generation producer, which aims to be the leading cleaner energy IPP in South Africa.

Exxaro's investments in associates include its 20.62% (2019: 20.62%) equity interest in SIOC, which extracts and processes iron ore. It also includes a 26% (2019: 26%) equity interest in Tronox SA and a 10.26% (2019: 10.38%) equity interest in Tronox Holdings plc, a vertically integrated mining and inorganic chemical business, and a 26% (2019: 26%) equity interest in Black Mountain which produces zinc, lead, copper and silver in the Northern Cape.

Exxaro is a public company incorporated in South Africa and is listed on the JSE. It is also a constituent of the JSE's Top 40 index, as well as the top 30 in the FTSE/JSE Responsible Investment Index with headquarters in Centurion, South Africa. Since 2 April 2020, Exxaro's secondary listing on A2X became effective. Exxaro retained its primary listing on the JSE and its issued share capital was unaffected by the secondary listing on A2X.

PERFORMANCE OF REPLACEMENT BEE TRANSACTION

We are proud to report that during 2020, we implemented Phase II of the Replacement BEE Transaction, by utilising 10% of Exxaro's shares in Eyesizwe for the empowerment of relevant Exxaro employees (ESOP arrangement) and communities (Community arrangement).

ESOP arrangement

On 27 March 2020, the ESOP arrangement was successfully implemented. Exxaro sold 5% of its shares held in Eyesizwe to the newly established subsidiary, Exxaro ESOP SPV. Exxaro ESOP Trust subscribed for 100% of the ordinary shares of Exxaro ESOP SPV, utilising the contributions received from participating Exxaro business units. Exxaro subscribed for 100% of the A ordinary shares of Exxaro ESOP SPV.

The beneficiaries of Exxaro ESOP Trust are the relevant Exxaro employees, which are identified as being qualifying employees in terms of the trust deed.

The beneficiaries will participate in distributions from Exxaro ESOP Trust as and when distributions are declared for as long as they are in the employment of one of the relevant employer companies within the Exxaro group.

The beneficiaries do not have rights to the allocated units, nor do they retain a right to the allocated units upon leaving the employment of the relevant employer companies.

An amount of R51 million has been paid out to the beneficiaries for the year.

Community arrangement

On 11 May 2020, the Community arrangement was successfully implemented. Exxaro sold 5% of its shares held in Eyesizwe to the newly established subsidiary, Exxaro Community NPC. The share purchase was funded utilising contributions received by Exxaro Community NPC from the participating Exxaro business units.

Exxaro Community NPC is a non-profit company established for the benefit of communities in areas where Exxaro and its subsidiaries operate.

An additional donation of R30 million was made by Exxaro to Exxaro Community NPC to fund the first project focused on aiding communities negatively impacted by COVID-19.

DIVESTMENT OF NON-CORE ASSETS AND INVESTMENTS

ECC and Leeuwpán

As mentioned previously, we undertook a strategic decision to dispose of our total equity interest in ECC and our Leeuwpán operation, having identified these assets as non-core to the future objectives of Exxaro. The resultant sales process is well underway and good progress has been made notwithstanding the COVID-19 environment. We are close to finalising the disposal of ECC with an announcement expected in the first half of 2021. On 31 December 2020, the ECC operation was classified as a non-current asset held-for-sale (refer note 8.4 and 18.4). The disposal process of the Leeuwpán operation continues.

CHAPTER 2:

Reports continued

2.3 REPORT OF THE DIRECTORS continued

DIVESTMENT OF NON-CORE ASSETS AND INVESTMENTS continued

Black Mountain

Exxaro continues to evaluate its options regarding the disposal of its equity interest in Black Mountain following the suspension of the disposal process in December 2020.

Tronox Holdings Plc

In September 2017, the directors of Exxaro formally decided to dispose of the investment in Tronox Holdings plc. As part of this decision, Tronox Limited was required to publish an automatic shelf registration statement of securities of well-known seasoned issuers, which allowed for the conversion of Exxaro's Class B Tronox Limited ordinary shares to Class A Tronox Limited ordinary shares. Subsequently, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. During May 2019, Tronox Holdings plc repurchased 14 000 000 Tronox Holdings plc ordinary shares from Exxaro after Tronox Limited had redomiciled to the UK.

Subsequent to 31 December 2020, Exxaro divested from its investments in Tronox (refer note 18.4).

Arnot operation

On 1 February 2020, the Arnot operation was transferred to Arnot OpCo (refer note 8.6).

Curapipe

On 9 November 2020, the investment in Curapipe was sold under a deferred compensation offer comprising a cash component of US\$1 and a contingent consideration receivable component. The contingent consideration receivable is dependent on the occurrence of certain transactions.

INTEGRATED REPORT AND SUPPLEMENTAL INFORMATION

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

CORPORATE GOVERNANCE

The directors endorse and acknowledge the principles contained in King IV™. The principles are applied by Exxaro and, therefore, the disclosures made in the integrated report are essential to allow stakeholders to assess whether the principles and recommended practices are integrated into the business processes of Exxaro. Furthermore, we acknowledge that effective corporate governance should form part of everything we say and do. Corporate governance forms part of the foundational layers of our strategy and effective governance is therefore entrenched as a way of doing business. Full details on how these principles are applied in Exxaro are set out in the 2020 integrated report.

COMPARABILITY OF RESULTS

The results for the years ended 31 December 2020 and 2019 are not comparable due to the key items as noted in the headline earnings reconciliation (refer note 5.3).

ACCOUNTING POLICIES

The accounting policies applied during the year ended 31 December 2020 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2019. In addition the group has adopted hedge accounting as described in note 16.1.3.

REGISTRATION DETAILS

The company registration number is 2000/011076/06. The registered office is the connexXion, 263B West Avenue, Die Hoewes, Centurion. Refer chapter 19: annexure 3 for further details.

2.3 REPORT OF THE DIRECTORS continued

CAPITAL MANAGEMENT



The diagram alongside represents the order of our capital allocation framework. In applying our capital allocation framework, we aim for a net debt to EBITDA (excluding Cennergi) cover ratio of below 1.5 times.

The capital allocation framework is in line with our commitment to sustainably returning cash to shareholders through the cycle while retaining a high level of balance sheet strength.

During 2020, we received cash of R10.1 billion, comprising R6.8 billion from our operations (net of tax paid) and dividend income received from our equity-accounted investments of R3.3 billion.

In terms of our capital allocation framework, we then utilised this cash, to mainly:

- Service our debt of R1.1 billion
- Sustain our coal operations with capital expenditure of R2.1 billion
- Expand our coal operations with further capital expenditure of R1 billion
- Pay ordinary dividends of R4 billion
- Acquire Exxaro shares in the market to the value of R270 million to settle vested share-based payment schemes
- Pay the final payment for the ECC contingent consideration of R195 million

At 31 December 2020, our net debt to EBITDA (excluding Cennergi) cover ratio was 0.96 (2019: 1.00), which is comfortably below our target of 1.5 times.

SHARE CAPITAL

The share capital of the company has remained unchanged and is summarised as follows:

At 31 December	Number of shares	
	2020	2019
Authorised ordinary shares of R0.01 each	500 000 000	500 000 000
Issued ordinary shares of R0.01 each	358 706 754	357 706 754
Treasury shares held by Kumba Resources Management Share Trust	158 218	158 218
Treasury shares held by Eyesizwe	107 612 026	107 612 026

Subsequent to 31 December 2020, the board of directors resolved to implement a share buy-back programme of R1.5 billion, following the disposal of the investment in Tronox Holdings plc.

CHAPTER 2:

Reports continued

2.3 REPORT OF THE DIRECTORS continued

SHAREHOLDERS

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

INVESTMENTS IN SUBSIDIARIES

The financial information in respect of investments and interests in subsidiaries of the company is disclosed in note 17.6.

DIVIDEND PAYMENTS

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

Exxaro's dividend policy was previously based on two components: firstly, a pass through of the SIOC dividend received and, secondly, a dividend based on a targeted cover ratio of 2.5 times to 3.5 times core attributable coal earnings.

Our strategic approach to build our renewable energy business necessitated a review of our dividend policy. The board of directors therefore approved for the targeted cover ratios to be applied on Exxaro group earnings and not only coal earnings. The revised dividend policy is therefore as follows:

- 2.5 times to 3.5 times group core net profit after tax (excluding SIOC core equity-accounted income) less NCI of Exxaro subsidiaries (excluding NCI of Eyesizwe), "adjusted group earnings"
- Pass through of the SIOC dividend

Exxaro declared the following dividends relating to 2020:

Dividend number 35

Interim dividend number 35 of 643 cps was approved by the board of directors on 11 August 2020 and declared in South African rand in respect of the six-month period ended 30 June 2020. The dividend payment date was Monday, 28 September 2020, to shareholders recorded on the register of the company at close of business on Friday, 25 September 2020.

Dividend number 36

Final dividend number 36 of 1 243 cps was approved on 16 March 2021 and declared in South African rand in respect of the year ended 31 December 2020. The final dividend payment date is Monday, 3 May 2021 to shareholders recorded on the register of the company at close of business on Friday, 30 April 2021 (record date).

To comply with the requirements of Strate, the last date to trade cum dividend is Monday, 26 April 2021. The shares will commence trading ex-dividend on Wednesday, 28 April 2021.

The final dividend declared is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local final dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 994.40000 cps. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

Special dividend

Taking into account the proceeds of R5 763 million received from the disposal of Exxaro's shareholding in Tronox Holdings plc, the board of directors has approved to pay a special dividend of 543 cps. The special dividend is payable on 3 May 2021 to shareholders who will be on the register on 30 April 2021.

To comply with the requirements of Strate, the last date to trade cum dividend is Monday, 26 April 2021. The shares will commence trading ex-dividend on Wednesday, 28 April 2021.

The special dividend declared is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local final dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 434.40000 cps. The number of ordinary shares in issue at the date of this declaration is 358 706 754. Exxaro company's tax reference number is 9218/098/14/4.

2.3 REPORT OF THE DIRECTORS continued

EVENTS AFTER REPORTING PERIOD

The directors are not aware of any matter or circumstance that has arisen since the end of the financial year not dealt with in the integrated report 2020 or in the group and company annual financial statements 2020 that would significantly affect the operations or the results of the group and company. Refer note 18.4 for further details.

DIRECTORATE AND SHAREHOLDINGS OF DIRECTORS

Details of the directors in office at the date of this report are set out in the integrated report 2020.

Details of directors' shareholdings are contained in note 14.5.3.

Ms A (Anuradha) Sing retired from the board of directors at the 2020 AGM held on 28 May 2020. The board of directors embarked on a thorough and transparent appointment process through its remuneration and nomination committee to fill three existing vacancies. In this regard, Ms C (Chanda) Nxumalo was appointed by the board of directors as an independent non-executive director effective 1 February 2021 and Ms M (Mandla) Msimang was appointed by the board of directors as a non-executive director effective 15 March 2021.

In line with King IV™, as amended or replaced from time to time, and the Listings Requirements with respect to good corporate governance practices, Exxaro aims to ensure that there is a clear balance of power and authority at board level and to ensure that there is adequate succession planning to maintain ongoing knowledge and experience at board level.

The board of directors accordingly announced the following changes to the board of directors:

- Mr MDM (Mxolisi) Mgojo, CEO, will retire as CEO and member of the board of directors when he reaches the retirement age of 63, on 31 May 2023.
- Dr N (Nombasa) Tsengwa, has been appointed as CEO-designate and member of the board of directors effective from 16 March 2021. Her appointment as CEO will become effective once the CEO retires on 31 May 2023. Dr Tsengwa's appointment forms part of a carefully considered succession plan which has taken place over the past two years. The transition period will ensure a smooth and phased handover of duties and responsibilities. Dr Tsengwa has more than 18 years' executive management and board experience in the public and private sectors. In 2003, she joined the former Kumba Resources Limited as general manager: safety, health and environment. In 2007, she was appointed as executive general manager: safety and sustainable development of Exxaro Resources Limited. In 2010, she became directly involved with the management of the coal operations as general manager of the tied operations and general manager of the Mpumalanga operations. In 2015, she was appointed as acting executive head of the coal operations and executive head of the coal operations, in 2016. She was subsequently appointed as Exxaro's managing director minerals business in July 2020. She is the 2017 winner of the Standard Bank Business Woman of the Year Award and the 2018 winner of the Pan African Awards, Africa's most influential woman in business and government mining industry category. An avid long-distance runner, Dr Tsengwa has completed nine Comrades marathons.
- Mr J (Jeff) Van Rooyen's tenure as chairman and independent non-executive director on the board of directors will come to an end at the AGM to be held on 27 May 2021. The board of directors would like to thank the outgoing chairman for his contribution and stewardship during his term of office. The board of directors has initiated a search process for his replacement and a further announcement in this regard will be made in due course.

CHAPTER 2:

Reports continued

2.3 REPORT OF THE DIRECTORS continued

INDEPENDENT EXTERNAL AUDITOR

PwC was re-elected as independent external auditor on 28 May 2020 in accordance with section 90 of the Companies Act and has again been proposed for re-election in respect of the 2021 financial year to occur at the forthcoming AGM on 27 May 2021.

AUDIT COMMITTEE

The audit committee report appears on pages 19 to 23, as well as in the 2020 integrated report.

BORROWING POWERS AND FINANCIAL ASSISTANCE

	Group	
	2020 Rm	2019 Rm
Amount approved	48 476	43 470
Total interest-bearing borrowings	(13 611)	(7 041)
Unutilised borrowing capacity	34 865	36 429

The borrowing powers were set at 125% of shareholders' funds attributable to owners of the parent for both the 2020 and 2019 financial years.

Pursuant to the authorisation granted at the AGM held on 28 May 2019, shareholders approved, in accordance with section 45 of the Companies Act, the granting of financial assistance to related and inter-related companies of Exxaro.

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

EMPLOYEE INCENTIVE SCHEMES

Details of the employee incentive schemes are set out in note 14.3, as well as the remuneration and nomination committee report in the integrated report 2020 and the supplementary information.

RELATED-PARTY TRANSACTIONS

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

GOING CONCERN

The directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future and, accordingly, the group and company annual financial statements 2020 have been prepared on a going-concern basis.

The directors are not aware of any new material changes, or any material non-compliance with statutory or regulatory requirements that may adversely impact the group or company.

SPONSOR

Absa Limited acted as sponsor to the company for the financial year ended 31 December 2020.

JOINT EQUITY SPONSOR

Tamela Holding Proprietary Limited acted as joint equity sponsor from 1 December 2020.

TRANSFER SECRETARIES

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

AGM

The 20th (twentieth) AGM of shareholders of Exxaro will be held via electronic communication and/or (subject to any adjournment or postponement) at the conneXXion, 263B West Avenue, Die Hoewes, Centurion, South Africa, at 11:00 on Thursday, 27 May 2021 to consider and, if deemed fit, pass with or without modification, the resolutions.

2.4 AUDIT COMMITTEE REPORT

The audit committee (the committee) is pleased to present the audit committee report for the year ended 31 December 2020.

ROLE AND PURPOSE

The committee is an independent, statutory committee whose members are appointed annually by Exxaro's shareholders in compliance with section 94 of the Companies Act and the principles of good governance. In terms of the Companies Act, this committee has an independent role with accountability to the board of directors and shareholders of the company. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability of the functions performed by other committees of the board of directors. In addition to the Companies Act, the committee's duties are guided by the Listings Requirements, King IV™ and its terms of reference.

The committee is governed by its terms of reference that codifies its roles and responsibilities. To assist the board of directors, the committee plays an essential role in providing independent oversight over the following:

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

The committee's terms of reference were reviewed by external assurance providers and recommendations for improvements are in the process of implementation.

COMPOSITION

The committee members are elected annually by the shareholders at the AGM of the company on recommendation by the board of directors (via the remuneration and nomination committee). The board of directors ensures, through its recommendations, that there is a balanced blend of skills and experience, with specific focus on financial literacy, to enable the committee to discharge its function.

For the year under review, the committee had four independent non-executive directors. The board of directors is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

The CEO and finance director together with members of the executive team and senior management representing areas relevant to the discussions at the audit committee, as well as the independent external auditor, the chief audit officer and chief risk officer attend meetings either by standing invitation or as and when required.

MEETINGS

Four quarterly and three special meetings were held by the committee during 2020. The committee member's attendance of almost 100% throughout the year demonstrates high levels of engagement by the committee members.

The following table provides an overview of designations and the members' attendance at meetings held during the period under review:

Name	Designation	Attendance
Mr V Nkonyeni	Independent non-executive director and chairperson of the audit committee	100%
Mr MJ Moffett	Independent non-executive director	100%
Mr LI Mophatlane	Independent non-executive director	85%
Mr EJ Myburgh	Independent non-executive director	100%

Two additional sessions are held annually with the independent external auditor and independent internal auditor, respectively, where management is not present, to facilitate an exchange of views and concerns to further strengthen the independent oversight by the committee.

CHAPTER 2:

Reports continued

2.4 AUDIT COMMITTEE REPORT continued

STATEMENTS

Finance director and finance function

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

External auditor

The independent external auditor is PwC. The committee having assessed the suitability of the appointment of the external auditor and designated audit partner, is satisfied that PwC is independent of the group as per section 94(8) of the Companies Act.

Fees paid to PwC are disclosed in note 6.1.3. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditor, which differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the review period, PwC was paid R38 million (2019: R36 million), which included R30 million (2019: R28 million) for statutory audit and related activities as well as R8 million (2019: R8 million) for non-audit services, mainly for advisory and tax compliance services, management accounting services, assurance and other advisory services. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The committee annually assesses the independence of PwC and completed this assessment at its meeting held on 12 March 2021. PwC was required to confirm that:

- It is not precluded from re-appointment due to any impediment in section 90 (2)(b) of the Companies Act
- It remains independent, as required by section 94 (7)(a) of the Companies Act and Listings Requirements.

Included in its assessment of the suitability of the independent external auditor, PwC was also requested to provide its accreditation information, as detailed in the Listings Requirements.

Based on this assessment, the committee again nominated PwC as independent external auditor for the year ending 31 December 2021. Due to the importance of this appointment, the shareholders will therefore be requested to re-elect PwC in this capacity for the 2021 financial year at the AGM on 27 May 2021, which is contained in the notice of the AGM for 2021.

Mandatory audit firm rotation becomes effective on 1 April 2023 in terms of section 10 of the Auditing Profession Act of 2005. The board of directors, through this committee, resolved to undertake a formal process to appoint a new firm as independent external auditor prior to the 2023 effective date.

Following an assessment process, this committee, with the endorsement of the board of directors, will recommend the appointment of a new independent external auditor at the AGM for 2021. The appointment will be in respect of the financial year ending 31 December 2022 and will be effective from the conclusion of PwC's external audit responsibilities for the financial year ending 31 December 2021.

During the current year, PwC continued its partnership with Ngubane & Co, a level 1, B-BBEE company as part of its audit team to extend Exxaro's commitment to transformation.

Internal auditor

The internal audit function is partially outsourced to EY under the management control of Exxaro's Chief Audit Officer. Their responsibilities are detailed in an internal audit charter approved by this committee, which is reviewed and approved annually. The main function of internal audit remains to express an opinion on the effectiveness of governance, risk management and systems of internal controls as well as the internal control environment within the Exxaro group of companies. Furthermore, the internal audit function provides an independent, objective assurance and consulting service designed to add value and improve the organisation's operations. The committee is satisfied with the overall performance of the internal audit function services provided by EY.

To allow for audit firm rotation and, notwithstanding the fact that the board of directors is satisfied with the independence, conduct and quality of internal audit services being rendered by EY, the committee recommended the appointment of a new independent internal auditor through a formal process. Following an open request for proposal process, the board of directors, on recommendation of this committee, have appointed PwC as the group's new internal auditor, effective from 1 April 2022. As part of the tender process the committee also ensured that the preferred bidder partnered with a 51% or more Black owned exempted micro enterprise (EME)/qualifying small enterprises (QSE).

In continuing to strengthen the internal audit function, to be a fit for purpose, adding value and given Exxaro's evolving business model, the internal audit approach had been refreshed with key features.

Annual financial statements

The group and company annual financial statements 2020 were prepared by management, reviewed by this committee and the board of directors, and were audited by the independent external auditor. The committee is satisfied that the group and company annual financial statements 2020 comply with the relevant provisions of the Companies Act, IFRS, interpretations issued by the IFRIC, the Listings Requirements as well as the applicable accounting policies and practices. The committee is also satisfied that the group and company annual financial statements 2020 fairly present a balanced view of the group and company's financial position, financial performance and cash flows for the financial year ended 31 December 2020.

2.4 AUDIT COMMITTEE REPORT *continued*

STATEMENTS *continued*

Statement on effectiveness of internal financial controls

The committee, with input and reports from the independent external auditor and internal auditor, reviewed the system of internal financial reporting procedures, as underpinned by the enterprise risk management framework, during the year. This review included consideration of all Exxaro entities within the consolidated group, to ensure that the committee had access to all the financial information to allow for effective preparation and reporting on the group and company annual financial statements 2020. Informed by these reviews, the committee confirmed that there were no material findings that came to the attention of the committee to indicate ineffectiveness of internal financial reporting controls during 2020.

Combined assurance

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

An annual audit plan is submitted for approval to this committee, detailing all proposed assurance activities within the group, including the level of assurance to be provided. This committee ensures alignment of the combined assurance plan, internal audit plans and external audit plans. Risk acceptance, level 1 finding disclosure process and risk extension requests are adopted as protocols.

As the committee's role to review the effective establishment and operation of combined assurance within the group and to this end the company established the CAF. The committee is satisfied that the CAF constituted as a working group serves as a platform to coordinate Exxaro's assurance functions specifically the internal assurance functions, including internal audit, and externally sourced independent assurance functions. In addition, the CAF coordinates assurance coverage for Exxaro's risk exposure as identified and ranked by Exxaro's risk management functions including optimisation of assurance functions aligned to King IV™ recommended practices for assurance. The CAF is an internal management structure and forms part of the internal governance structure of the entity and, along with the rest of the internal governance structure, falls under executive oversight.

The committee is satisfied with the arrangement in place for ensuring an effective and efficient combined assurance model within the group.

Technology and Information Governance

In terms of King IV™, the committee exercises an ongoing oversight over technology and information governance. In addition, the committee governs technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

In fulfilling management's responsibility to implement and execute effective technology and information management, a strategic Information Management (IM) Committee will be established in the first half of 2021 to formally review items such as IM strategy alignment to business strategy, IM performance metrics, IM risks, investment priorities, IM operating model implementation and budget guidance.

FOCUS AREAS IN 2020

Areas of focus that the committee provided oversight on during the year under review included:

Impact of the COVID-19 pandemic

Assessing and monitoring the group's cash resources, credit facilities, accordion facility and ensuring compliance with borrowing covenants in the dynamic economic environment.

Internal audit whistleblowing report

The committee is satisfied with results of the benchmarking of the process to leading business practice and the Committee of Sponsoring Organisations (COSO) fraud risk management guide which indicated that most elements which contribute to an effective whistleblowing mechanism are in place.

Exxaro Insurance Company Limited

A formal memorandum is submitted quarterly to the committee, setting out the main activities of the insurance company. Appointment of independent non-executive directors and insurance renewal processes were amongst items considered by the committee during the period under review.

Cennergi business combination

The committee considered various accounting issues, in terms of IFRS 3 *Business Combinations*, regarding the accounting for the Cennergi business combination.

Tax compliance status and reporting

Reporting to the committee includes reporting on all tax matters, including tax audits, returns and payments.

CHAPTER 2:

Reports continued

2.4 AUDIT COMMITTEE REPORT continued

FOCUS AREAS IN 2020 continued

Headline earnings

The committee considered the guidance issued by SAICA regarding the calculation of headline earnings during the year under review.

Macros and commodity price forecast review

During the year under review, the committee reviewed and was satisfied with the key macro-economic indicators and assumptions used to compile the 2021 budget.

JSE guidance letter

As recommended by the JSE, the committee reviewed the JSE guidance letter from the Committee Forum in respect of the responsibilities of committee members as set out in paragraph 3.84 (g) of the Listings Requirements.

Reportable irregularity

The company brought to the attention of the group's independent auditor a possible reportable irregularity relating to a perceived breach of fiduciary duties by an employee of the group. Prior to this disclosure of the possible reportable irregularity to the independent auditor, the company had taken various steps and implemented measures to address the issues concerned. The independent auditor has confirmed that the reportable irregularity was not ongoing and had been duly addressed, and reported accordingly to the Independent Regulatory Board of Auditors.

Other key issues

Other key issues that received attention during the year included, among others, the following:

- The going concern statement and solvency and liquidity assessment in terms of section 46 and 48 of the Companies Act as at 30 June 2020 and 31 December 2020
- Financial results and dividend declarations for the six-month period ended 30 June 2020 and year ended 31 December 2020
- Trading statement for the six-month period ended 30 June 2020 and year ended 31 December 2020
- Valuation of group carrying amounts in respect of various investments at 30 June 2020 and 31 December 2020
- Status on subsidiary rationalisation process
- Revision in the allocation of subsidiary corporate costs to the reportable segments in line with reporting trends and better disclosure
- Noting of the annual financial statements of major subsidiaries (as defined by the Listings Requirements) within the Exxaro group of companies
- New and revised accounting standards and pronouncements were brought to the attention of the committee for consideration
- Revised Group Treasury Risk Management and Hedging Policy

KEY PERFORMANCE INDICATORS

The below table shows the key performance indicators for the committee:

2020 KPIs	Evaluation score
Review audit committee KPIs quarterly and review management plans for out-of-appetite KPIs	Achieved
Review the IM strategy in relation to deployment of new post-modern ERP solutions to ensure acceptable cost, risk and alignment to the Exxaro strategy	Achieved
Ensure alignment of the combined assurance process, internal audit plan and external audit plan in terms of a risk-based approach	Achieved
Review Exxaro's future strategy in relation to insurance cover and self-insurance, taking into account global resistance to thermal coal and the impact on insurance markets	Achieved
Track the closing of level 1 internal audit findings, understand the root causes of level 1 internal audit findings and repeat internal audit findings	Achieved
Oversee the assurance process associated with disclosures in the integrated report	Achieved
Oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with the Task Force on Climate-related Financial Disclosures	Achieved
Provide guidance and assistance to the chief audit officer specifically in relation to the internal audit and external audit tender processes	Achieved
Ensure alignment with JSE proactive monitoring framework for financial reporting	Achieved
Benchmarking and measurement of the effectiveness of assurance spend	Achieved
Proactive influencing rather than mere reporting of tier 3 assurance at business units	Achieved

2.4 AUDIT COMMITTEE REPORT continued

PERFORMANCE EVALUATION

There is currently neither a legal nor a regulatory requirement for the committee to complete annual performance evaluations and, while King IV™ recommends regular performance evaluations for all board of director subcommittees, it has become a governance practice at Exxaro to have the subcommittee's performance and effectiveness evaluated bi-annually. The board of directors embarked on a significant transformation journey in 2020 with regards to the terms of reference and structures of its board committees, as detailed in the ESG corporate governance report 2020.

CONCLUSION

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act, the Listings Requirements, as well as the principles and recommended practices of King IV™. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference and fulfilled its mandate in terms of the Companies Act and King IV™.

The committee would like to thank management for all the hard work done during these unprecedented times and circumstances.

On behalf of the committee



Mr V Nkonyeni
Chairman

Centurion
19 April 2021

CHAPTER 2:

Reports continued

2.5 INDEPENDENT AUDITOR'S REPORT

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited (the company) and its subsidiaries (together the group) as at 31 December 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Exxaro Resources Limited's consolidated and separate financial statements set out on pages 30 to 179 comprise:

- the consolidated and separate statements of financial position as at 31 December 2020
- the consolidated and separate statements of comprehensive income for the year then ended
- the consolidated and separate statements of changes in equity for the year then ended
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

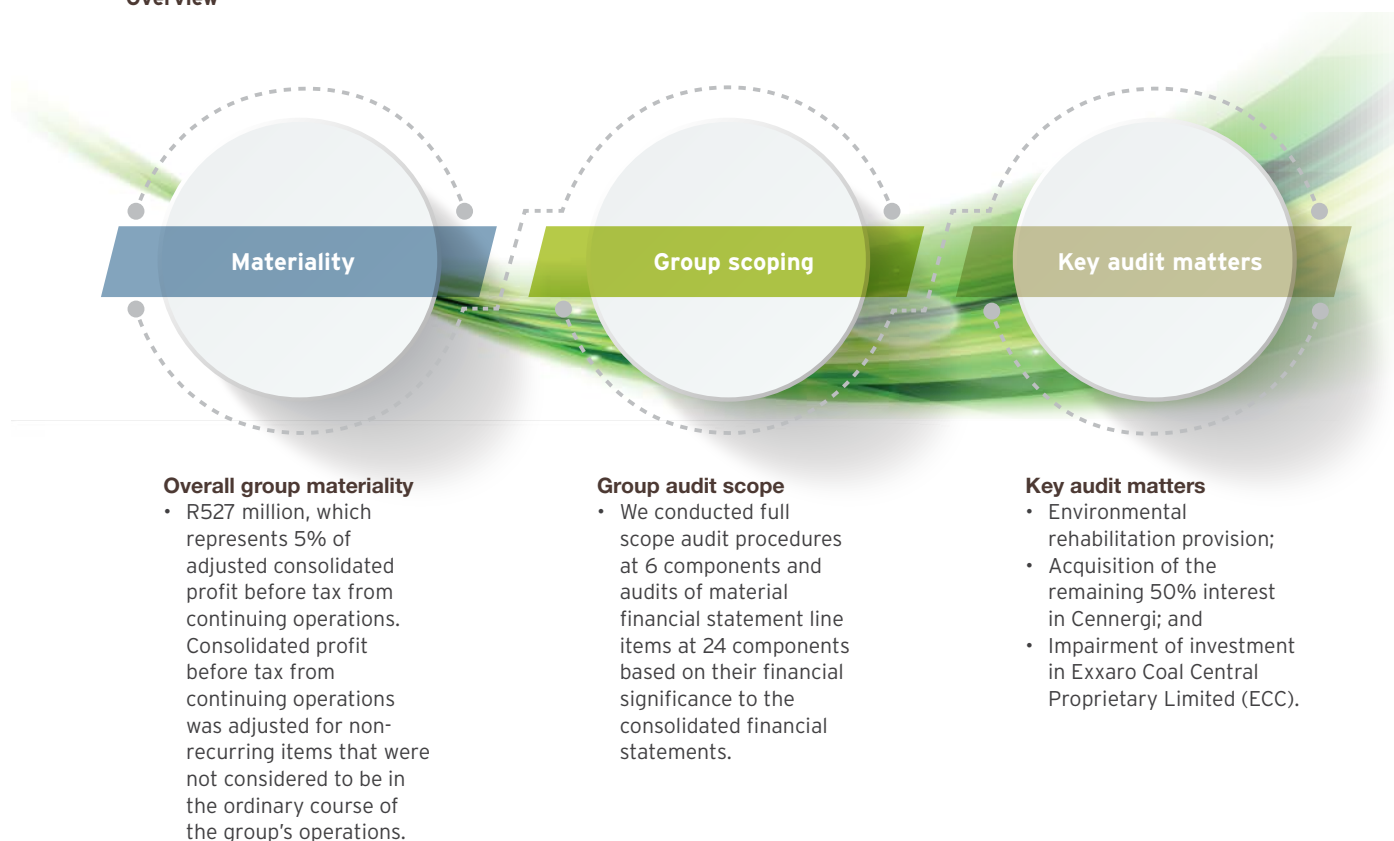
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

OUR AUDIT APPROACH

Overview



2.5 INDEPENDENT AUDITOR'S REPORT *continued*

OUR AUDIT APPROACH *continued*

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

Materiality

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

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

Overall group materiality	R527 million
How we determined it	5% of consolidated profit before tax from continuing operations, adjusted for the following once-off items as disclosed in notes 6.1.3 and 8.5 to the consolidated financial statements, namely: • Gain on deemed disposal of JV • Losses on share of cash flow hedge reserve recycled to profit or loss on deemed disposal of JV • Hedge ineffectiveness on cash flow hedges • Gain on the disposal of joint operation • Gain on transfer of operation • Impairment charges relating to investments in associates; and • Impairment charges relating to the ECC operation.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. The consolidated profit before tax was adjusted to exclude non-recurring items that are not reflective of the ongoing operations of the group. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

Financially significant components were identified based on scoping benchmarks such as their contribution to key financial statement line items which included consolidated profit before tax, consolidated revenue and consolidated total assets and the risks associated with the business unit.

Based on our scoping assessment, we conducted full scope audits on 6 components and audits of material financial statement line items at 24 components. For the components that we considered to be financially inconsequential, we performed analytical procedures in order to obtain sufficient appropriate audit evidence in respect of the consolidated financial statements.

The group engagement team performed audit procedures over the separate financial statements, the consolidation process, financial statement disclosures and significant accounting positions taken by the group.

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

CHAPTER 2:

Reports continued

2.5 INDEPENDENT AUDITOR'S REPORT continued

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provision <i>This key audit matter relates to the consolidated financial statements only.</i> <i>Refer to notes 8.4, 13.1, 13.2 and 13.3 to the consolidated financial statements.</i> As of 31 December 2020, the group's environmental rehabilitation provision amounted to R2 762 million, which includes R724 million disclosed within non-current liabilities held-for-sale. In determining the present value of the total environmental rehabilitation provision, management apply significant judgement and make assumptions relating to: • unscheduled closure costs on reporting date • inflation rates • discount rates; and • expected date of closure of mining activities. We considered the determination of the environmental rehabilitation provision to be a matter of most significance to the current year audit due to the following: • The significant judgement and estimates applied by management in determining the present value of the environmental rehabilitation provision; and • The significance of the potential risk of material misstatement inherent in determining the environmental rehabilitation provision.	Our audit addressed this key audit matter as follows: Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology applied by management in determining the environmental rehabilitation provision. Making use of our sustainability and climate change expertise, we performed the following procedures: • We assessed the reasonableness of management's process to determine the environmental rehabilitation provision by comparing management's process with that used in the industry and found the process used by management to be consistent with industry practice. • We assessed the objectivity, competence, capabilities and experience of management's experts through inspection of Curriculum Vitae (CVs) and membership certificates from professional bodies where applicable. • We assessed the appropriateness of the underlying cost assumptions used by management in their calculation by evaluating whether costs underpinning the provisions represent management's and the experts' best estimate of expenditure. As part of this evaluation, we considered the required rehabilitation activities against the mining activity to date, the costs of those activities against current best estimates of costs relating to those activities, and consistency of the cash flows in the rehabilitation model with the group's rehabilitation and closure plans. We noted no material aspects in this regard requiring further consideration. • We assessed whether the closure costs used by management's experts considered the requirements of the relevant laws and regulations, both to assess whether a legal obligation exists to raise the provision, as well as to identify potential environmental liabilities that were not provided for which could be of material significance, and noted no material exceptions. We independently recalculated management's inflation rates and discount rates applied with reference to relevant third-party sources. Where inflation rates and discount rates determined by us differed from that used by management, the impact of such differences was assessed to be immaterial. We agreed the expected date of closure of mining activities to the respective life of mine certificates as signed off by the group's competent person. No exceptions were noted. We tested the mathematical accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with management's calculations. We noted no material differences.

2.5 INDEPENDENT AUDITOR'S REPORT continued

KEY AUDIT MATTERS continued

Key audit matter	How our audit addressed the key audit matter
Acquisition of the remaining 50% interest in Cennergi <i>This key audit matter relates to the consolidated financial statements only.</i> <i>Refer to notes 8.1.1, 8.2 and 8.3 to the consolidated financial statements.</i> With effect from 1 April 2020, the company acquired Khopoli Investments Limited's 50% share of the issued share capital of Cennergi Proprietary Limited (Cennergi), resulting in the company obtaining sole control over Cennergi. The transaction has been accounted for as a business combination achieved in stages (step-up acquisition) in terms of IFRS 3 <i>Business Combinations (IFRS 3)</i>. In applying the requirements of IFRS 3, management applied significant judgement and estimation in determining the fair value of material assets acquired. The valuation techniques and key assumptions applied are further disclosed in note 8.2 to the consolidated and separate financial statements. We considered the acquisition of the remaining 50% interest in Cennergi to be a matter of most significance to our current year audit due to the significant judgement and estimation applied by management in determining the fair value of the material assets acquired.	Our audit addressed this key audit matter as follows: We evaluated the accounting treatment for the acquisition against the requirements of IFRS 3 and the group's accounting policies by inspection of the underlying acquisition agreements. Based on our evaluation, we accepted the application of IFRS 3 and the group's accounting policies. Through discussions with management we obtained an understanding of management's process for identifying all separately identifiable assets acquired and liabilities assumed and inspected management's documented process. Making use of our internal valuation expertise, we assessed the completeness and appropriateness of the assets and liabilities acquired through inspection of the board of directors and executive committee minutes of meetings to understand the rationale for the acquisition and performing a critical evaluation of the underlying acquisition agreements. Based on work performed, no exceptions were noted. Through discussions with management's experts and inspection of the expert's Curriculum Vitae (CVs), we assessed the professional competence, objectivity and capabilities of management's external valuations expert involved in determining the fair value of the tangible and intangible assets acquired. We noted no aspects requiring further consideration. Making use of our internal valuation expertise we assessed the adequacy and appropriateness of the identification of the intangible assets and the valuation assumptions and methodologies used by management's expert to value the intangible assets. We assessed the appropriateness of the key assumptions used in determining the fair value of all other assets acquired and liabilities assumed with specific focus on the depreciated replacement cost values and remaining useful lives assumed in the valuation of property, plant and equipment. Based on the work performed, we accepted the key assumptions applied by management.

CHAPTER 2:

Reports continued

2.5 INDEPENDENT AUDITOR'S REPORT continued

KEY AUDIT MATTERS continued

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in ECC <i>This key audit matter relates to the consolidated and separate financial statements.</i> <i>Refer to notes 8.1.2, 8.1.3, 8.2, 8.4 and 8.5 to the consolidated and separate financial statements.</i> During the 2020 financial year, the ECC operation was identified as non-core to the future objectives of the group and as a result, the group embarked on a divestment process of the company's total equity interests in ECC. On 31 December 2020, the ECC operation met all the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>. As a result of the classification of the ECC operation as a non-current asset held-for-sale the ECC operation was measured at the lower of its carrying amount and fair value less costs of disposal at reporting date. As disclosed in note 8.2, in applying the requirements of International Accounting Standard (IAS) 36 <i>Impairment of Assets</i> (IAS 36), management identified impairment indicators and performed an impairment assessment of its coal operations which resulted in an impairment of the ECC cash-generating unit (CGU) being recognised in the consolidated and separate financial statements amounting to R1 378 million and R1 520 million, respectively. This assessment involved judgement and estimation in the determination of the recoverable amount which included the estimation of cash flows and discount rates used. The recoverable amount of the ECC operation was determined to be the fair value less costs of disposal, which represents the discounted value of the offer price negotiated with the proposed buyer to the sales transaction. We considered the impairment assessment of the ECC CGU and investment in ECC held at company level to be a matter of most significance to our current year audit due to the magnitude of the impairment charge to the consolidated and separate financial statements, as well as the fact that the potential sale of the ECC operation is a significant transaction which occurred during the period and is outside of the normal course of business.	Our audit addressed this key audit matter as follows: Through discussions with management we obtained an understanding of the process followed by them in performing their impairment assessment for the ECC CGU and the investment in ECC at a company level. We assessed the appropriateness of management's assumption on the use of the fair value less costs of disposal as the recoverable amount for the CGU and investment in ECC by independently calculating the value in use of the CGU, which was found to be lower than the fair value less costs of disposal. We recalculated the fair value less costs of disposal through inspection of the proposed offer agreement from the proposed buyer, and taking into consideration the terms of the offer. No material exceptions were noted. We compared our recalculated fair value less costs of disposal to the carrying value of the ECC CGU at group level, as well as the carrying value of the investment held at company level. No material exceptions were noted. We stress tested the calculations determined by management for reasonable changes to key estimates. The impact of such differences was assessed as inconsequential.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Exxaro Resources Limited group and company annual financial statements for the year ended 31 December 2020", which includes the report of the directors, the audit committee report and the certificate by the group company secretary as required by the Companies Act of South Africa, and in the document titled "Exxaro Resources Limited Integrated Report 2020". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

2.5 INDEPENDENT AUDITOR'S REPORT *continued*

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS *continued*

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Exxaro Resources Limited for 10 years.

Furthermore, in accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors. The matter pertaining to the reportable irregularity has been described in note 15.2 to the consolidated and separate financial statements.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered Auditor
Johannesburg, South Africa

23 April 2021

CHAPTER 3:

SEGMENTAL REPORTING

31	3.1	Accounting policy relating to segmental reporting
31	3.2	Significant judgements and assumptions made by management in applying the related accounting policy
31	3.3	Reportable segments
36	3.4	Geographic location of segment assets



CHAPTER 3:

Segmental reporting

3.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

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

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

In applying IFRS 8 *Operating Segments*, judgements have been made by management with regards to the identification of reportable segments of the group. The basis on which management identifies the reportable segments is described further in note 3.3 and represents management's view of the operations.

3.3 REPORTABLE SEGMENTS

During the second half of 2020, the chief operating decision maker, in line with reporting trends and better disclosure, revised the allocation of corporate costs to the segments since emphasis is placed on controllable costs. Indirect corporate costs are no longer allocated between the different segments but now reported on a gross level in the other reportable segment. The comparative segmental information has been re-presented to reflect this change.

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

COAL

The coal reportable segment is split between commercial (Waterberg and Mpumalanga), tied and other operations. Commercial Mpumalanga operations include a 50% (2019: 50%) investment in Mafube (a JV with Anglo) and a 49% (2019:49%) equity interest in Tumelo. The 10.26% (2019: 10.36%) effective equity interest in RBCT is included in the other coal operations. The coal operations produce thermal coal, metallurgical coal and SSCC.

The export revenue and related export cost items have been allocated between the coal reportable segments based on the origin of the initial coal production.

ENERGY

On 1 April 2020, Exxaro obtained 100% control over Cennergi (2019: 50% joint control) (refer note 8.3 for detail of the business combination). The energy reportable segment also includes a 28.59% (2019: 28.59%) equity interest in LightApp, as well as a 22% (2019: 22%) equity interest in GAM.

FERROUS

The ferrous reportable segment mainly comprises of the 20.62% (2019: 20.62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous reportable segment, as well as the FerroAlloys operation (referred to as Alloys). The Alloys operation manufactures ferrosilicon.

TiO₂

The TiO₂ reportable segment comprises a 10.26% (2019: 10.38%) equity interest in Tronox Holdings plc, which was classified as a non-current asset held-for-sale on 30 September 2017 (refer note 8.4), and a 26% (2019: 26%) equity interest in Tronox SA (both South African-based operations).

OTHER

The other reportable segment is split between the base metals and other reportable segments. The 26% (2019: 26%) equity interest in Black Mountain (located in the Northern Cape province) is included in the base metals reportable segment. The other reportable segment comprises a 25.85% (2019: 25.86%) equity interest in Insect Technology, the Ferroland agricultural operation and the corporate office, which renders services to operations and other customers. The 15% (2019: 15%) equity interest in Curapipe was sold on 9 November 2020.

CHAPTER 3:

Segmental reporting continued

3.3 REPORTABLE SEGMENTS continued

The following tables present a summary of the segmental information:

		Coal				
		Commercial				
	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm
For the year ended 31 December 2020						
External revenue	6.1.2	15 449	8 037	4 355	34	889
Segmental net operating profit/(loss)		6 668	(2 419)	145	(114)	1 619
– Continuing operations		6 668	(2 419)	145	(114)	1 619
– Discontinued operations						
External finance income	12.1.2	33	3		8	12
External finance costs	12.1.2	(48)	(171)		(52)	(402)
Income tax (expense)/benefit	7.3	(2 020)	530	(46)	782	1
– Continuing operations		(2 020)	530	(46)	782	1
– Discontinued operations						
Depreciation and amortisation	6.1.3	(1 373)	(611)	(19)	(2)	(291)
Impairment charges	8.5		(1 378)			
Gain on deemed disposal of JV	8.3					1 321
Gains on disposal of joint operation and transfer of operation	8.6		17		4	
Share of income/(loss) of equity-accounted investments	9.3		67		5	(5)
– Continuing operations			67		5	(5)
– Discontinued operations						
Cash generated by/(utilised in) operations	6.3.1	8 223	(879)	241	(1 717)	693
Capital spend		(2 326)	(717)	(1)	(16)	(1)
At 31 December 2020						
Segmental assets and liabilities						
Deferred tax ¹	7.5		112	(158)	589	146
Equity-accounted investments	9.4		1 412		2 053	98
External assets		30 155	6 160	1 138	2 468	8 825
Assets		30 155	7 684	980	5 110	9 069
Non-current assets held-for-sale	8.4		2 008			
Total assets		30 155	9 692	980	5 110	9 069
External liabilities		2 129	1 288	926	1 308	5 715
Deferred tax ¹	7.5	6 934	229		189	937
Liabilities		9 063	1 517	926	1 497	6 652
Non-current liabilities held-for-sale	8.4		1 138			
Total liabilities		9 063	2 655	926	1 497	6 652

¹ Offset per legal entity and tax authority.

Ferrous		Other			
Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Base metals Rm	Other Rm	Total Rm
147				13	28 924
4			93	(1 703)	4 293
4			93	(1 703)	4 293
				159	215
(1)				(373)	(1 047)
7				27	(719)
7				27	(719)
(6)				(134)	(2 436)
				(504)	(1 882)
					1 321
					21
	6 125	207	122	(110)	6 411
	6 125	207	122	(110)	6 411
(38)	(4)			1 251	7 770
(2)				(112)	(3 175)
17	1			369	1 076
	12 820	2 628	995		20 006
309	26			4 694	53 775
326	12 847	2 628	995	5 063	74 857
		1 741			3 749
326	12 847	4 369	995	5 063	78 606
29	3			9 713	21 111
				(53)	8 236
29	3			9 660	29 347
					1 138
29	3			9 660	30 485

CHAPTER 3:

Segmental reporting continued

3.3 REPORTABLE SEGMENTS continued

		Coal				
		Commercial				
	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm
For the year ended 31 December 2019 (Re-presented)^{1, 2}						
External revenue	6.1.2	14 012	7 240	4 038	292	
Segmental net operating profit/(loss)²		5 752	(318)	136	(558)	(58)
– Continuing operations		5 752	(318)	136	(558)	(58)
– Discontinued operations						
External finance income	12.1.2	57	21		30	
External finance costs	12.1.2	(54)	(165)		(27)	
Income tax (expense)/benefit	7.3	(1 627)	120	(47)	627	
– Continuing operations		(1 627)	120	(47)	627	
– Discontinued operations						
Depreciation and amortisation	6.1.3	(1 383)	(382)	(23)	(3)	
Impairment reversals/(charges)	8.5	23				
Loss on loss of control of subsidiary	8.6		(35)			
Gain on disposal of operation			76			
Share of income/(loss) of equity-accounted investments	9.3		127		1	18
– Continuing operations			127		1	18
– Discontinued operations						
Cash generated by/(utilised in) operations	6.3.1	6 062	(253)	201	(1 042)	
Capital spend		(2 951)	(2 776)		(90)	
At 31 December 2019 (Re-presented)¹						
Segmental assets and liabilities						
Deferred tax ³	7.5			(107)	340	
Equity-accounted investments ¹	9.4		1 335		2 067	350
Loans to associates	10.3.2		133			
External assets		28 832	10 499	1 210	3 951	
Assets		28 832	11 967	1 103	6 358	350
Non-current assets held-for-sale ¹	8.4					
Total assets		28 832	11 967	1 103	6 358	350
External liabilities		1 951	2 336	938	2 684	
Deferred tax ³	7.5	6 411	715		68	
Liabilities		8 362	3 051	938	2 752	
Non-current liabilities held-for-sale	8.4		1 410			
Total liabilities		8 362	4 461	938	2 752	

¹ Refer note 18.3.

² Segmental net operating profit or loss has been re-presented to reflect the change in the allocation of corporate costs.

³ Offset per legal entity and tax authority.

Ferrous		Other			Total Rm
Alloys Rm	Other ferrous Rm	TiO ₂ Rm	Base metals Rm	Other Rm	
130				14	25 726
6	(1)	2 400		(960)	6 399
6	(1)	270		(960)	4 269
		2 130			2 130
				210	318
(1)				(108)	(355)
3		(65)		(44)	(1 033)
3				(44)	(968)
		(65)			(65)
(5)				(116)	(1 912)
				(58)	(35)
					(35)
					76
	4 413	234	52	(152)	4 693
	4 413	234	52	(152)	4 693
1				304	5 273
				(259)	(6 076)
11				223	467
	9 835	2 472	872	571	17 502
					133
279	25	65		4 136	48 997
290	9 860	2 537	872	4 930	67 099
		1 741			1 741
290	9 860	4 278	872	4 930	68 840
30	6			9 460	17 405
				(56)	7 138
30	6			9 404	24 543
					1 410
30	6			9 404	25 953

CHAPTER 3:

Segmental reporting continued

3.4 GEOGRAPHIC LOCATION OF SEGMENT ASSETS

Geographical areas	At 31 December	
	2020 Rm	(Re-presented) ¹ 2019 Rm
Country of domicile		
– RSA	62 382	54 038
Foreign countries		
– Rest of Africa	2	2
– Europe ²	2	540
– Asia	98	148
– Australia	123	109
Total carrying amount of non-current assets³	62 607	54 837

¹ Refer note 18.3.

² Refer note 8.5 for the impairment of the investment in Insect Technology.

³ Excluding financial assets, deferred tax and non-current assets held-for-sale.

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

CHAPTER 4:

FINANCIAL STATEMENTS

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45	4.4	Statements of cash flows



CHAPTER 4:

Financial statements

4.1 STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	Group		Company	
		2020 Rm	(Re-presented) ¹ 2019 Rm	2020 Rm	2019 Rm
Revenue	6.1.2	28 924	25 726	1 765	2 164
Operating expenses	6.1.3	(22 749)	(21 422)	(1 797)	(1 501)
Operating profit/(loss)		6 175	4 304	(32)	663
Impairment charges	8.5	(1 882)	(35)	(2 235)	(285)
Net operating profit/(loss)		4 293	4 269	(2 267)	378
Finance income	12.1.2	215	318	2 115	2 140
Finance costs	12.1.2	(1 047)	(355)	(2 054)	(1 890)
Income from financial assets		4		4	
Share of income of equity-accounted investments	9.3	6 411	4 693		
Dividend income from equity-accounted investments	9.3			3 263	4 196
Dividend income from investments in subsidiaries	17.3.2			569	461
Profit before tax		9 876	8 925	1 630	5 285
Income tax (expense)/benefit	7.3	(719)	(968)	127	(16)
Profit for the year from continuing operations		9 157	7 957	1 757	5 269
Profit for the year from discontinued operations	6.1.4	69	2 112	825	2 087
Profit for the year		9 226	10 069	2 582	7 356
Other comprehensive (loss)/income, net of tax		(251)	(710)		2
<i>Items that will not be reclassified to profit or loss:</i>		10	71		
– Remeasurement of retirement employee obligations		21	19		
– Changes in fair value of equity investments at FVOCI		(13)	50		
– Share of OCI of equity-accounted investments		2	2		
<i>Items that may subsequently be reclassified to profit or loss:</i>		(281)	58		(1)
– Unrealised exchange differences on translation of foreign operations		55	(7)		(1)
– Fair value losses recognised on cash flow hedges		(385)			
– Share of OCI of equity-accounted investments		49	65		
<i>Items that have subsequently been reclassified to profit or loss:</i>		20	(839)		3
– Recycling of exchange differences on translation of foreign operations		(103)	(7)		3
– Recycling of cash flow hedging gains		77			
– Recycling of share of OCI of equity-accounted investments		46	(832)		
Total comprehensive income for the year		8 975	9 359	2 582	7 358

¹ Refer note 18.3 for the reclassification of Black Mountain from discontinued operations to continuing operations.

4.1 STATEMENTS OF COMPREHENSIVE INCOME continued

	Group	
	2020 Rm	(Re-presented) ¹ 2019 Rm
For the year ended 31 December		
Profit attributable to:		
Owners of the parent	7 283	9 809
– Continuing operations	7 229	7 699
– Discontinued operations	54	2 110
Non-controlling interests	1 943	260
– Continuing operations	1 928	258
– Discontinued operations	15	2
Profit for the year	9 226	10 069
Total comprehensive income attributable to:		
Owners of the parent	7 103	9 108
– Continuing operations	7 049	7 829
– Discontinued operations	54	1 279
Non-controlling interests	1 872	251
– Continuing operations	1 857	249
– Discontinued operations	15	2
Total comprehensive income for the year	8 975	9 359

¹ Refer note 18.3 for the reclassification of Black Mountain from discontinued operations.

	Note	Group	
		2020 Cents	(Re-presented) ¹ 2019 Cents
Attributable earnings per share	5.2		
Aggregate ²			
– Basic		2 902	3 908
– Diluted		2 902	3 908
Continuing operations			
– Basic		2 880	3 067
– Diluted		2 880	3 067
Discontinued operations			
– Basic		22	841
– Diluted		22	841
¹ Refer note 18.3 for the reclassification of Black Mountain from discontinued operations to continuing operations.			
² The number of months in the year for which the BEE Parties have shared in the consolidated Eyesizwe results is:		12	2

CHAPTER 4:

Financial statements continued

4.2 STATEMENTS OF FINANCIAL POSITION

		Group		Company	
			(Re-presented) ¹		
At 31 December	Note	2020 Rm	2019 Rm	2020 Rm	2019 Rm
ASSETS					
Non-current assets		65 824	57 978	12 576	20 521
Property, plant and equipment	10.1.3	38 395	33 562	599	602
Intangible assets ²	10.2.3	3 095	16	6	8
Right-of-use assets	11.3	453	462	391	439
Inventories	6.2.2	128	101		
Equity-accounted investments	9.4	20 006	17 502	1 324	2 735
Investments in subsidiaries	17.4			8 390	9 287
Financial assets	10.3.2	2 141	2 674	1 406	7 153
Deferred tax	7.5	1 076	467	459	296
Other assets ²	10.4	530	3 194	1	1
Current assets		9 033	9 121	13 917	6 905
Inventories	6.2.2	1 821	1 809	7	3
Financial assets	10.3.2	169	272	11 386	4 539
Trade and other receivables	6.2.3	2 827	3 241	646	630
Cash and cash equivalents		3 196	2 695	1 864	1 649
Other assets ²	10.4	1 020	1 104	14	84
Non-current assets held-for-sale	8.4	3 749	1 741	4 002	2 377
Total assets		78 606	68 840	30 495	29 803

¹ Refer note 18.3 for the reclassification of Black Mountain from non-current assets held-for-sale to equity-accounted investments.

² 2019 has, in addition, been re-presented as a result of the following reclassifications:

- Intangible assets have been disaggregated from other assets due to it becoming material for 2020 in light of the business combination
- Lease receivables have been aggregated as part of other assets so as to remove immaterial items from the face of the statement of financial position to provide a better presentation of assets for the users.

4.2 STATEMENTS OF FINANCIAL POSITION *continued*

		Group		Company	
			(Re-presented) ¹		
At 31 December	Note	2020 Rm	2019 Rm	2020 Rm	2019 Rm
EQUITY AND LIABILITIES					
Capital and other components of equity					
Share capital	12.2.2	1 021	1 021	11 265	11 265
Other components of equity		2 495	2 723	1 053	1 055
Retained earnings/(accumulated deficit)		35 265	31 032	(7 611)	(5 856)
Equity attributable to owners of the parent		38 781	34 776	4 707	6 464
Non-controlling interests	17.7	9 340	8 111		
Total equity		48 121	42 887	4 707	6 464
Non-current liabilities		19 103	19 364	3 217	7 528
Interest-bearing borrowings	12.1.3	7 448	6 991	2 748	6 991
Lease liabilities	11.4	493	461	432	448
Other payables	6.2.4	24	121		
Provisions	13.3	1 946	4 305	37	37
Retirement employee obligations	14.4	147	181		
Financial liabilities	12.1.7	782			
Deferred tax	7.5	8 236	7 138		
Other liabilities	12.1.8	27	167		52
Current liabilities		10 244	5 179	22 571	15 811
Interest-bearing borrowings	12.1.3	6 163	50	6 053	50
Lease liabilities	11.4	29	27	23	17
Trade and other payables	6.2.4	2 940	2 603	200	177
Provisions	13.3	185	99		
Financial liabilities	12.1.7	49	498	16 071	14 398
Overdraft	12.1.3	17	976	17	976
Other liabilities	12.1.8	861	926	207	193
Non-current liabilities held-for-sale		1 138	1 410		
Total liabilities		30 485	25 953	25 788	23 339
Total equity and liabilities		78 606	68 840	30 495	29 803

¹ Refer note 18.3 for the reclassification of Black Mountain from non-current assets held-for-sale to equity-accounted investments.

CHAPTER 4:

Financial statements continued

4.3 STATEMENTS OF CHANGES IN EQUITY

4.3.1 GROUP STATEMENTS OF CHANGES IN EQUITY

	Note	Other components of equity			
		Share capital Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Equity-settled Rm
At 31 December 2018		1 021	2 691	(32)	5 534
Adjustment on initial application of IFRS 16 <i>Leases</i> , net of tax					
Adjusted balance at 1 January 2019		1 021	2 691	(32)	5 534
Total comprehensive (loss)/income			(785)	(3)	10
– Profit for the year					
– Other comprehensive (loss)/income for the year	7.7		(785)	(3)	10
Transactions with owners in their capacity as owners					(4 483)
– Dividends paid	5.6				
– Share-based payments movement ¹					(1 875)
– Reclassifications within equity ²					(2 608)
Changes in ownership interest					(178)
– Recognition of NCI ³	17.7				
– Loss of control of subsidiary ⁴	8.6				
– Partial disposal of associate classified as non-current asset held-for-sale ⁵					(178)
At 31 December 2019		1 021	1 906	(35)	883
Total comprehensive (loss)/income			(37)	(220)	68
– Profit for the year					
– Other comprehensive (loss)/income for the year	7.7		(37)	(220)	68
Transactions with owners in their capacity as owners					10
– Dividends paid	5.6				
– Distributions to NCI share option holders					10
– Share-based payments movement					
Changes in ownership interest					(58)
– Deemed disposal of JV ⁶					(58)
– Acquisition of subsidiaries ⁷	8.3				
– Recognition of NCI ³	17.7				
At 31 December 2020		1 021	1 869	(255)	903

¹ 2019: Includes an amount of R1 391 million paid to the BEE Parties as a dividend.

² 2019: An amount of R2 608 million was reclassified within equity upon the BEE Parties exercising their option subsequent to the settlement of the preference share liability.

³ 2020: Relates to the recognition of an NCI's share of Tsitsikamma SPV's net asset value, amounting to R189 million, upon the exercise of its in-substance share option, amounting to R115 million (cash received).

2019: Recognition of the NCI's share of Eyesizwe's net asset value upon the exercise of the option held by the BEE Parties.

⁴ 2019: Derecognition of NCI reserve upon the loss of control of Tumelo.

⁵ 2019: Tronox Holdings plc repurchased 14 000 000 Tronox Holdings plc ordinary shares from Exxaro, which resulted in a net reclassification within equity from the retirement employee obligations reserve and equity-settled reserve to retained earnings.

⁶ 2020: Relates to a reclassification within equity arising from the Cennergi business combination which requires the pre-existing interest in the equity-accounted investment to be derecognised as a deemed disposal.

⁷ 2020: Relates to the recognition of the NCI option holders within the Cennergi group arising from the Cennergi business combination at acquisition (refer note 8.3.2.5).

Retirement employee obligations Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earning Rm	Attributable to owners of the parent Rm	Non- controlling interests Rm	Total equity Rm
(113)	(53)	1	32 797	41 846	(701)	41 145
			(12)	(12)		(12)
(113)	(53)	1	32 785	41 834	(701)	41 133
17	57	3	9 809	9 108	251	9 359
			9 809	9 809	260	10 069
17	57	3		(701)	(9)	(710)
			(3 204)	(7 687)		(7 687)
			(5 812)	(5 812)		(5 812)
				(1 875)		(1 875)
			2 608			
57			(8 358)	(8 479)	8 561	82
			(8 479)	(8 479)	8 479	
					82	82
57			121			
(39)	4	4	31 032	34 776	8 111	42 887
18	(9)		7 283	7 103	1 872	8 975
			7 283	7 283	1 943	9 226
18	(9)			(180)	(71)	(251)
			(3 034)	(3 024)	(979)	(4 003)
			(3 034)	(3 034)	(978)	(4 012)
					(1)	(1)
				10		10
			(16)	(74)	336	262
			58			
					147	147
			(74)	(74)	189	115
(21)	(5)	4	35 265	38 781	9 340	48 121

FOREIGN CURRENCY TRANSLATION

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

FINANCIAL INSTRUMENTS REVALUATION

Comprises the share of equity-accounted investments' hedging reserves and the group's cash flow hedge reserve.

EQUITY-SETTLED

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

RETIREMENT EMPLOYEE OBLIGATIONS

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

FINANCIAL ASSET FVOCI REVALUATION

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

CHAPTER 4:

Financial statements continued

4.3 STATEMENTS OF CHANGES IN EQUITY continued

4.3.2 COMPANY STATEMENT OF CHANGES IN EQUITY

Note	Other components of equity					Total equity Rm
	Share capital Rm	Foreign currency translation Rm	Equity-settled Rm	Other Rm	Retained earnings Rm	
At 31 December 2018	11 265	(2)	1 513	(572)	(4 903)	7 301
Adjustment on initial application of IFRS 16 Leases, net of tax					(1)	(1)
Adjusted balance at 1 January 2019	11 265	(2)	1 513	(572)	(4 904)	7 300
Total comprehensive income		2			7 356	7 358
– Profit for the year					7 356	7 356
– Other comprehensive income for the year	7.7	2				2
Transactions with owners of the company			(458)	572	(8 308)	(8 194)
– Lapse of put option ¹				572		572
– Share-based payments movement			(458)			(458)
– Dividends paid	5.6				(8 308)	(8 308)
At 31 December 2019	11 265		1 055		(5 856)	6 464
Total comprehensive income					2 582	2 582
– Profit for the year					2 582	2 582
Transactions with owners of the company			(2)		(4 337)	(4 339)
– Share-based payments movement			(2)			(2)
– Dividends paid	5.6				(4 337)	(4 337)
At 31 December 2020	11 265		1 053		(7 611)	4 707

¹ Exxaro derecognised its obligation to buy back its shares in terms of the put option issued to Eyesizwe which lapsed during 2019.

4.4 STATEMENTS OF CASH FLOWS

For the year ended 31 December	Note	Group		Company	
		2020 Rm	(Re-presented) ¹ 2019 Rm	2020 Rm	(Re-presented) ^{1; 2} 2019 Rm
Cash flows from operating activities		5 493	3 483	1 194	680
Cash generated by operations	6.3.1	7 770	5 273	1 355	805
Settlement of contingent consideration		(198)	(344)	(198)	(344)
Interest paid	12.1.6	(1 305)	(558)	(2 042)	(1 881)
Interest received	12.1.6	192	289	2 115	2 140
Tax paid	7.6	(966)	(1 177)	(36)	(40)
Cash flows from investing activities		(1 556)	2 974	2 758	5 894
Property, plant and equipment acquired		(3 175)	(6 076)	(101)	(256)
Intangible assets acquired		(2)	(5)		(2)
Proceeds from disposal of property, plant and equipment		34	83		
Decrease in other financial assets at amortised cost		79	82		
Increase in ESD loans		(41)	(121)	(41)	(121)
Decrease in ESD loans		61	39	61	39
Decrease in non-current financial assets					408
Deferred consideration paid for acquisition of associates		(349)	(306)	(349)	(306)
Decrease in loan to JV			250		
Decrease in loan to associate		13			
Increase in loan to associate			(40)		
Decrease in lease receivables		15	15		
Cash transferred on transfer of operation	8.6	(14)			
Acquisition of subsidiaries	8.3.2	(1 402)		(1 739)	
Increase in environmental rehabilitation funds		(111)	(148)		(1)
Proceeds from disposal of operation			76		
Proceeds from disposal of subsidiaries	8.6			924	
Acquisition of associates	9.5		(14)		(14)
Increase in investment in subsidiaries				(36)	(307)
Increase in non-interest-bearing loans to subsidiaries				(5)	(19)
Increase in non-interest-bearing loans from subsidiaries				220	256
Increase in interest-bearing loans to subsidiaries				(81)	(2 973)
Proceeds from disposal of associates classified as non-current assets held-for-sale	6.1.4; 8.6		4 486		4 486
Dividend income received from equity-accounted investments	9.3	3 263	4 146	3 263	4 146
Dividend income from financial assets and non-current assets held-for-sale		73	507	73	97
Dividend income from subsidiaries	17.3.2			569	461
Cash flows from financing activities		(2 469)	(5 286)	(2 778)	(5 531)
Interest-bearing borrowings raised	12.1.5	1 750	4 250	1 750	4 250
Interest-bearing borrowings repaid	12.1.5	(88)	(1 622)		(1 020)
Lease liabilities paid	12.1.5	(32)	(33)	(17)	(15)
NCI option exercised	17.7	115			
Distributions to NCI option holders	17.7	(1)			
Loan from NCI	12.1.7	69			
Dividends paid	5.6	(3 034)	(5 812)	(4 337)	(8 308)
Shares acquired in the market to settle share-based payments		(270)	(678)	(174)	(438)
Dividends paid to BEE Parties		(978)	(1 391)		
Net increase in cash and cash equivalents		1 468	1 171	1 174	1 043
Cash and cash equivalents/(overdraft) at beginning of the year		1 719	549	673	(370)
Translation difference on movement in cash and cash equivalents of foreign entities			(1)		
Cash and cash equivalents at end of the year		3 187	1 719	1 847	673
Cash and cash equivalents		3 196	2 695	1 864	1 649
Cash and cash equivalents classified as non-current assets held-for-sale		8			
Overdraft		(17)	(976)	(17)	(976)

¹ Dividends paid have been re-presented as a financing activity (previously presented as an operating activity). This re-presentation was done to align the presentation of cash flows with the revised dividend policy.

² An amount of R48 million was reclassified from translation difference on movement in cash and cash equivalents to cash generated by operations for better presentation. The translation differences relate to operating activities and not the translation difference on movement in cash and cash equivalents of foreign entities.



CHAPTER 5:

EARNINGS

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CHAPTER 5:

Earnings

5.1 ACCOUNTING POLICY RELATING TO EARNINGS

5.1.1 DIVIDEND DISTRIBUTIONS

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

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

5.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
	2020	(Re-presented) ¹ 2019
For the year ended 31 December		
Profit for the year attributable to equity holders of the parent (Rm)	7 283	9 809
Continuing operations (Rm)	7 229	7 699
Discontinued operations (Rm)	54	2 110
Weighted average number of ordinary shares in issue (million)	251	251
Basic earnings per share (cents)²	2 902	3 908
Continuing operations (cents)	2 880	3 067
Discontinued operations (cents)	22	841
Diluted weighted average number of ordinary shares (million)	251	251
Diluted earnings per share (cents)²	2 902	3 908
Continuing operations (cents)	2 880	3 067
Discontinued operations (cents)	22	841
¹ Refer note 18.3.		
² The number of months in the year for which the BEE Parties have shared in the consolidated Eyesizwe results is:	12	2

Exxaro did not issue any ordinary shares during 2020 nor 2019.

5.3 RECONCILIATION OF HEADLINE EARNINGS

	Group			
	Gross Rm	Tax Rm	NCI Rm	Net Rm
For the year ended 31 December 2020				
Profit attributable to owners of the parent				7 283
Adjusted for:	560	(258)	(168)	134
– IFRS 11 Gain on disposal of joint operation	(17)		4	(13)
– IAS 16 Gain on transfer of operation	(4)		1	(3)
– IAS 16 Net losses on disposal of property, plant and equipment	92	(29)	(14)	49
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(18)	5	3	(10)
– IAS 21 Net gains on translation differences recycled to profit or loss on deregistration and liquidation of foreign entities	(103)		23	(80)
– IAS 21 Net gains on translation differences recycled to profit or loss on disposal of associate	(13)		3	(10)
– IAS 28 Losses on dilution of investments in associate	20		(5)	15
– IAS 28 Net gain on deemed disposal of JV	(1 321)		298	(1 023)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	42	2	(10)	34
– IAS 36 Net impairment charges of non-current assets	1 882	(236)	(471)	1 175
Headline earnings				7 417
Continuing operations				7 348
Discontinued operations				69

CHAPTER 5:

Earnings continued

5.3 RECONCILIATION OF HEADLINE EARNINGS continued

For the year ended 31 December 2019 (Re-presented) ¹	Group			
	Gross Rm	Tax Rm	NCI Rm	Net Rm
Profit attributable to owners of the parent				9 809
Adjusted for:	(2 286)	62	14	(2 210)
– IFRS 10 Loss on loss of control of subsidiary	35			35
– IAS 16 Gain on disposal of operation	(76)		17	(59)
– IAS 16 Net gains on disposal of property, plant and equipment		(3)	(3)	(6)
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(49)	14	8	(27)
– IAS 21 Net gains on translation differences recycled to profit or loss on partial disposal of associate	(832)			(832)
– IAS 21 Net gains on translation differences recycled to profit or loss on dilution of associates	(1)			(1)
– IAS 21 Net gains on translation differences recycled to profit or loss on liquidation of foreign subsidiary	(10)			(10)
– IAS 21 Net loss on translation differences recycled to profit or loss on deregistration of foreign entity	3		(1)	2
– IAS 28 Losses on dilution of investments in associates	42			42
– IAS 28 Net gains on disposal of associates ²	(1 504)	65		(1 439)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	71	(14)	(12)	45
– IAS 36 Net impairment charges of non-current assets	35		5	40
Headline earnings				7 599
Continuing operations				7 488
Discontinued operations				111

¹ Refer note 18.3.

² Includes a gain of R1 234 million on the partial disposal of Tronox Holdings plc and a gain of R270 million on the redemption of the membership interest in Tronox UK.

5.4 HEADLINE EARNINGS PER SHARE

For the year ended 31 December	Note	Group	
		2020	(Re-presented) ¹ 2019
Headline earnings (Rm)	5.3	7 417	7 599
Continuing operations (Rm)		7 348	7 488
Discontinued operations (Rm)		69	111
Weighted average number of ordinary shares in issue (million)		251	251
HEPS (cents)		2 955	3 027
Continuing operations (cents)		2 928	2 983
Discontinued operations (cents)		27	44
Diluted weighted average number of ordinary shares (million)		251	251
Diluted HEPS (cents)		2 955	3 027
Continuing operations (cents)		2 928	2 983
Discontinued operations (cents)		27	44

¹ Refer note 18.3.

5.5 DIVIDEND DISTRIBUTIONS

For the year ended 31 December	2020 cents	2019 cents
Dividends declared		
Dividend per share in respect of the interim period	643	864
Final dividend per share in respect of the financial year	1 243	566
Dividend per share in respect of the special dividend	543	897
Total dividends per share declared for the financial year	2 429	2 327

Total dividends paid in 2020 amounted to R3 034 million. This amount was made up of:

- A final dividend relating to the 2019 financial year of 566 cps (amounting to R1 420 million to external shareholders) paid in May 2020
- An interim dividend of 643 cps (amounting to R1 614 million to external shareholders) paid in September 2020.

A final cash dividend, number 36, for 2020 of 1 243 cps, was approved by the board of directors on 16 March 2021. The dividend is payable on 3 May 2021 to shareholders who will be on the register on 30 April 2021. This final dividend, amounting to approximately R3 119 million (to external shareholders), has not been recognised as a liability in 2020. It will be recognised in shareholders' equity in the year ending 31 December 2021.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 994.40000 cps. The number of ordinary shares in issue at the date of this declaration is 358 706 754 (including treasury shares of 107 770 244).

Taking into account the proceeds of R5 763 million received from the disposal of Exxaro's shareholding in Tronox Holdings plc (as approved by the Financial Surveillance Department of the South African Reserve Bank), the board of directors has approved to pay a special dividend of 543 cps. The special dividend is payable on 3 May 2021 to shareholders who will be on the register on 30 April 2021. This special dividend, amounting to approximately R1 363 million (to external shareholders), has not been recognised as a liability in 2020. It will be recognised in shareholder's equity in the year ending 31 December 2021.

The special dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20%, amounts to 434.40000 cps. The number of ordinary shares in issue at the date of this declaration is 358 706 754 (including treasury shares of 107 770 244).

Exxaro company's tax reference number is 9218/098/14/4.

The salient dates for the payment of final and special dividends are:

Last day to trade cum dividend on the JSE	Monday, 26 April 2021
First trading day ex dividend on the JSE	Wednesday, 28 April 2021
Record date	Friday, 30 April 2021
Payment date	Monday, 3 May 2021

No share certificate may be dematerialised or re-materialised between Wednesday, 28 April 2021 and Friday, 30 April 2021, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 3 May 2021.

5.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

For the year ended 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Dividends paid				
Final dividend (relating to prior year)	(1 420)	(1 393)	(2 030)	(1 991)
Special dividend		(2 251)		(3 218)
Interim dividend (relating to current year)	(1 614)	(2 168)	(2 307)	(3 099)
Total dividends paid for the financial year	(3 034)	(5 812)	(4 337)	(8 308)

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



CHAPTER 6:

OPERATIONAL PERFORMANCE AND WORKING CAPITAL

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CHAPTER 6:

Operational performance and working capital

6.1 OPERATIONAL PERFORMANCE

6.1.1 ACCOUNTING POLICIES RELATING TO OPERATIONAL PERFORMANCE

6.1.1.1 Revenue

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

Timing of recognition

Revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service to a customer. A promised good or service is transferred when (or as) the customer obtains control of that promised good or service.

Measurement on recognition

The amount of revenue recognised is the amount of the transaction price that is allocated to a satisfied performance obligation. The amount is determined on a gross basis, when acting as a principal, or on a net basis when acting as an agent.

The total transaction price in a customer contract is allocated to the performance obligations identified in the contract based on their standalone selling prices. The standalone selling prices are determined based on listed prices at which those goods or services are sold in separate transactions. The customer contracts generally contain only one performance obligation and therefore the contract consideration generally reflects the standalone selling price of the performance obligation.

As a permitted practical expedient, no adjustment is made to the transaction price for the effects of the time value of money as the period of time between the delivery of goods or rendering of services and receipt of payment ranges between two weeks and 60 days, which is considered not to result in a significant financing component.

Nature of goods and services

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

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Payment terms
Coal (domestic supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 0 to 60 days
Coal (FOB export supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Coal (CFR export supply)	Delivery of coal at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
	Rendering of freight services over time	As services are performed (over time)	Range: 15 to 60 days
Renewable energy (electricity sales)	Delivery of electricity at a contractually agreed upon delivery point	On delivery (point in time)	Within 30 days
Ferrosilicon	Delivery of ferrosilicon at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Biological goods	Delivery of biological goods at a contractually agreed upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Stock yard management services	Rendering of stock yard management services over time	As services are performed (over time)	Within 30 days
Project engineering services	Rendering of project engineering services over time	As services are performed (over time)	Within 30 days
Other mine management services	Rendering of other mine management services over time	As services are performed (over time)	Within 30 days
Transportation services	Rendering of freight or other transportation services over time (Including CFR basis for exports and special transportation arrangements by customers)	As services are performed (over time)	Range: 15 to 60 days
Corporate management services (company)	Rendering of corporate services over time	As services are performed (over time)	Within 30 days
Other services	Mainly rendering of storage services over time	As services are performed (over time)	Within 30 days

6.1.1.2 Discontinued operations

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

Management applies judgement on a case-by-case basis to determine whether an operation meets the criteria to be classified as a discontinued operation (disposal group). Refer note 6.1.4.

CHAPTER 6:

Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE

6.1.2 REVENUE

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

For the year ended 31 December 2020	Group							
	Coal				Energy Rm	Ferrous	Other	Total Rm
	Commercial		Tied Rm	Other Rm		Alloys Rm	Other Rm	
	Waterberg	Mpumalanga						
Segmental revenue reconciliation								
Segmental revenue ¹	15 449	8 037	4 355	34	889	147	13	28 924
Export sales allocated to selling entity	(2 002)	(7 357)		9 359				
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924
By timing and major type of goods and services								
Sale of goods at a point in time	13 447	680	3 744	9 293	889	139	12	28 204
Coal	13 447	680	3 744	9 293				27 164
Ferrosilicon						139		139
Renewable energy					889			889
Biological goods							12	12
Rendering of services over time			611	100		8	1	720
Stock yard management services			154					154
Project engineering services			457					457
Other mine management services				34				34
Transportation services				66		2		68
Other services						6	1	7
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924
By major geographic area of customer ²								
Domestic	13 447	680	4 355	34	889	147	8	19 560
Export				9 359			5	9 364
Europe				3 904			3	3 907
Asia				4 539			2	4 541
Other				916				916
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924
By major customer industries								
Public utilities	11 508		4 355	260	889			17 012
Merchants	174	345		8 525		2		9 046
Steel	1 014	79		77				1 170
Mining	56	103		126		119		404
Manufacturing	275					26		301
Food and beverage	250						8	258
Chemicals		145						145
Cement	132							132
Other	38	8		405			5	456
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924

¹ Coal segmental revenue is based on the origin of coal production.

² Determined based on the customer supplied by Exxaro.

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 REVENUE continued

For the year ended 31 December 2019	Group							
	Coal				Energy Rm	Ferrous	Other	Total Rm
	Commercial		Tied Rm	Other Rm		Alloys Rm	Other Rm	
	Waterberg	Mpumalanga						
Segmental revenue reconciliation								
Segmental revenue ¹	14 012	7 240	4 038	292		130	14	25 726
Export sales allocated to selling entity	(1 494)	(5 468)		6 962				
Total revenue	12 518	1 772	4 038	7 254		130	14	25 726
By timing and major type of goods and services								
Sale of goods at a point in time	12 518	1 721	3 414	6 870		122	12	24 657
Coal	12 518	1 721	3 414	6 870				24 523
Ferrosilicon						122		122
Biological goods							12	12
Rendering of services over time		51	624	384		8	2	1 069
Stock yard management services			130					130
Project engineering services			494					494
Other mine management services				292				292
Transportation services		51		92		2		145
Other services						6	2	8
Total revenue	12 518	1 772	4 038	7 254		130	14	25 726
By major geographic area of customer ²								
Domestic	12 518	1 772	4 038	292		130	13	18 763
Export				6 962			1	6 963
Europe				3 617			1	3 618
Asia				3 159				3 159
Other				186				186
Total revenue	12 518	1 772	4 038	7 254		130	14	25 726
By major customer industries								
Public utilities	10 211	1 009	4 038	467				15 725
Merchants	179	326		6 475				6 980
Steel	1 378	68		43				1 489
Mining	81	133		266		103		583
Manufacturing	279					24		303
Cement	148							148
Food and beverage	200						1	201
Chemicals		167						167
Other	42	69		3		3	13	130
Total revenue	12 518	1 772	4 038	7 254		130	14	25 726

¹ Coal segmental revenue is based on the origin of coal production.

² Determined based on the customer supplied by Exxaro.

The group derives revenue from an external customer which accounts for at least 10% or more of the group's revenues, being 58% or R16 779 million (2019: 61% or R15 508 million).

CHAPTER 6:

Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 REVENUE continued

		Company	
For the year ended 31 December	Note	2020 Rm	2019 Rm
Rendering of services over time			
Corporate management services rendered to subsidiaries	17.3.1	1 765	2 164
Total revenue		1 765	2 164

6.1.3 OPERATING EXPENSES

		Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
For the year ended 31 December	Note				
Cost by nature					
<i>Operational expense items</i>					
Raw materials and consumables		3 744	3 760	24	91
Depreciation and amortisation		2 436	1 912	148	129
Movement in inventories		232	(103)		
Staff costs		5 103	5 248	824	893
Other employee-related costs		195	231	37	75
Contract mining		2 409	2 308		
Repairs and maintenance		2 421	2 251	15	26
Railage and transport		3 101	2 353	1	1
Insurance		253	206	2	2
Exploration expenditure		28	7		
Royalties		575	459		
Water		151	153		1
Energy		714	679	4	5
IM costs		539	515	160	453
Legal and professional fees		653	742	321	538
Movement in provisions	13.3	(1 100)	127	(3)	(3)
Movement in retirement employee obligations		4	14		
Travel and subsistence		78	95	11	39
Security and office cleaning services		115	128	4	3
Licences		5	5		
Stock yard management services		154	130		
Project engineering services		457	494		
<i>Financial gains and losses</i>					
Currency exchange differences		(50)	(101)	58	(103)
Write-off of trade and other receivables		35	10	10	
ECLs on financial assets at amortised cost		(144)	165	83	15
Fair value gains recognised on financial assets at FVPL		(114)	(195)	(1)	(26)
Fair value losses/(gains) recognised on financial liabilities at FVPL		52	(296)	3	(308)
Losses on share of cash flow hedge reserve recycled to profit or loss on deemed disposal of JV	8.3.2.2	59			
Hedge ineffectiveness on cash flow hedges		57			

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 OPERATING EXPENSES continued

For the year ended 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
<i>General items and expenses</i>					
Gain on deemed disposal of JV	8.3.2.2	(1 321)			
Gain on transfer of operation	8.6	(4)			
Gain on the disposal of joint operation	8.6	(17)			
Gain on the disposal of operation ¹			(76)		
Loss on loss of control of subsidiary	8.6		35		
Net gain on disposal and deregistration of subsidiaries	8.6			(121)	
Loss on dilution of investment in associates	9.5	20	42		
Gain on disposal of associate	8.6		(270)		(506)
Insurance recoveries for business interruption		(14)	(99)		
Insurance recoveries for property, plant and equipment		(18)	(49)		
Net losses on disposal of property, plant and equipment		92		14	18
Movement in indemnification asset		798	(139)		(65)
Inventories write-down to net realisable value		9	12		
Expenses relating to short-term leases		168	180	1	14
Expenses relating to leases of low value assets		12	11	9	10
Expenses relating to variable lease expenses of right-of-use assets		5			
Operating lease income		(34)	(39)	(6)	(5)
Gain on termination of lease			(1)		
Research and development costs		4	4	3	3
Own work capitalised ²		(357)	(782)		
General charges		1 244	1 296	196	201
Total operating expenses		22 749	21 422	1 797	1 501

¹ Relates to the disposal of the Paardeplaats mining right which formed part of the NBC operation.

² Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.

CHAPTER 6:

Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 OPERATING EXPENSES continued

For the year ended 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Further disaggregation of certain operating expense items:					
Staff costs		5 103	5 248	824	893
– Salaries and wages		4 373	4 080	628	569
– Share-based payment expense		250	266	150	166
– Termination benefits ¹		26	476	8	120
– Pension and medical costs		454	426	38	38
Consultancy fees ²		526	634	249	465
Auditor’s remuneration ²		38	36	17	19
– Audit fees		30	28	12	13
– Other services		8	8	5	6
Depreciation and amortisation		2 436	1 912	148	129
– Depreciation of property, plant and equipment	10.1.3	2 237	1 849	91	86
– Depreciation of right-of-use assets	11.3	71	59	55	41
– Amortisation of intangible assets	10.2.3	128	4	2	2
ECLs on financial assets at amortised cost (impairment losses/(reversal of impairment losses)):		(144)	165	83	15
Non-current					
Other financial assets at amortised cost		1	3		
– Performing		1	3		
Lease receivables		1			
– Performing		1			
Current					
Trade and other receivables		(127)	111	(7)	11
Trade receivables			14		
– Performing		10	(3)		
– Under-performing		(1)	1		
– Non-performing		(9)	16		
Other receivables		(127)	97	(7)	11
– Non-performing		(127)	97	(7)	11
Indebtedness by subsidiaries				81	
– Performing				81	
– Non-performing					
Non-interest bearing loans to subsidiaries				10	2
– Performing				6	1
– Non-performing				4	1
Other financial assets at amortised cost		(1)	1	(1)	1
– Non-performing		(1)	1	(1)	1
Loans to associates		(18)	49		
– Under-performing		(18)	49		
ESD loans			1		1
– Performing			1		1

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 OPERATING EXPENSES continued

For the year ended 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Further disaggregation of certain operating expense items:					
Fair value (gains)/losses recognised on financial assets at FVPL		(114)	(195)	(1)	(26)
– Derivative financial assets		10	(19)		33
– Debt investments		(124)	(176)	(1)	(59)
Fair value losses/(gains) recognised on financial liabilities at FVPL		52	(296)	3	(308)
– Put option					(12)
– Derivative financial liabilities		49			
– Contingent consideration	16.3.2.1	3	(296)	3	(296)
Currency exchange differences		(50)	(101)	58	(103)
– Net realised losses/(gains)		167	9	196	(19)
– Net (gains)/losses on translation differences recycled to profit or loss ³		(103)	(7)		3
– Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate ⁴		(13)			
– Net unrealised gains		(101)	(103)	(138)	(87)
		19	459	8	120

¹ Includes the following amounts for the TVPs:

² Disclosed as part of legal and professional fees.

³ 2020: relates to recycling of FCTR on liquidation of Exxaro Base Metals China Limited (R102 million) and deregistration of Exxaro Resources (Beijing) Commercial Company Limited (R1 million).

⁴ Relates to the disposal of Curapipe.

CHAPTER 6:

Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.4 DISCONTINUED OPERATIONS

The discontinued operation relates to Tronox Holdings plc, which represents a major geographical area of operation, as well as the majority of the TiO₂ reportable segment.

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

For the year ended 31 December	Group		Company	
	2020 Rm	(Re-presented) ¹ 2019 Rm	2020 Rm	2019 Rm
Financial performance				
Losses on financial instruments revaluations recycled to profit or loss		(1)		
Net gains on translation differences recycled to profit or loss on partial disposal of investment in foreign associate		832		
Indemnification asset movement		65		65
Gain on remeasurement of associate to fair value less costs of disposal ²			756	723
Operating profit		896	756	788
Gain on partial disposal of associate		1 234		1 317
– Cash consideration		2 889		2 889
– Carrying value of investment sold		(1 655)		(1 572)
Net operating profit		2 130	756	2 105
Dividend income received from non-current assets held-for-sale	69	47	69	47
Profit before tax	69	2 177	825	2 152
Income tax expense		(65)		(65)
Profit for the year from discontinued operations	69	2 112	825	2 087
Other comprehensive loss, net of tax		(831)		
<i>Items that have subsequently been reclassified to profit or loss:</i>		(831)		
– Recycling of share of OCI of equity-accounted investments		(831)		
Total comprehensive income for the year	69	1 281	825	2 087
Cash flow information				
Cash flow attributable to investing activities				
– Dividend income received from non-current assets held-for-sale	69	47	69	47
– Proceeds from partial disposal of associate classified as non-current asset held-for-sale		2 889		2 889
Cash flow attributable to discontinued operation	69	2 936	69	2 936

¹ Refer note 18.3.

² At 31 December 2020, Tronox Holdings plc's share price strengthened to US\$14.62 per share (2019: US\$11.42 per share). The carrying amount on 31 December 2020 of R2 377 million (2019: R1 654 million) was less than the fair value less costs of disposal of R3 149 million (2019: R2 377 million), resulting in the recognition of a gain amounting to R756 million (2019: R723 million).

6.2 WORKING CAPITAL

6.2.1 ACCOUNTING POLICIES RELATING TO WORKING CAPITAL ITEMS

Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and net realisable value.

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

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

Inventory is presented as non-current when it is not expected to be sold or used within the normal business operating cycle.

Trade receivables

Trade receivables are amounts due from customers for the sale of goods and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Refer note 16.1 for further accounting policies relating to financial assets at amortised costs.

Trade payables

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

6.2.2 INVENTORIES

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December				
Non-current				
Finished products	128	101		
Total non-current inventories	128	101		
Current				
Finished products ¹	1 128	1 152		
Work-in-progress	12	44		
Raw materials	7	8		
Plant spares and stores	667	597	7	3
Merchandise ²	7	8		
Total current inventories	1 821	1 809	7	3
Total inventories	1 949	1 910	7	3
¹ Includes inventory carried at net realisable value amounting to:	37	45		
² Includes biological assets classified as inventories.				

No inventories were pledged as security for liabilities in 2020 nor 2019.

6.2.3 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December				
Trade receivables	2 698	2 928		
– Gross	2 793	3 023		
– Impairment allowances	(95)	(95)		
Other receivables	129	313	7	15
– Gross	153	464	11	26
– Impairment allowances	(24)	(151)	(4)	(11)
Indebtedness by subsidiaries			639	615
– Gross			720	615
– Impairment allowances			(81)	
Total trade and other receivables	2 827	3 241	646	630

CHAPTER 6:

Operational performance and working capital continued

6.2 WORKING CAPITAL continued

6.2.3 TRADE AND OTHER RECEIVABLES continued

6.2.3.1 Impairment allowances and write-offs

Trade and other receivables are stated after the following allowances for impairment:

At 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Trade receivables				
Opening balance	(95)	(81)		
– Performing	(5)	(8)		
– Under-performing	(1)			
– Non-performing	(89)	(73)		
Movement in impairment allowances		(14)		
– Performing	(10)	3		
– Under-performing	1	(1)		
– Non-performing	9	(16)		
At end of the year	(95)	(95)		
– Performing	(15)	(5)		
– Under-performing		(1)		
– Non-performing	(80)	(89)		
Other receivables				
Opening balance	(151)	(54)	(11)	
– Non-performing	(151)	(54)	(11)	
Movement in impairment allowances	127	(97)	7	(11)
– Non-performing	127	(97)	7	(11)
At end of the year	(24)	(151)	(4)	(11)
– Non-performing	(24)	(151)	(4)	(11)
Indebtedness by subsidiaries				
Movement in impairment allowances			(81)	
– Performing			(81)	
At end of the year			(81)	
– Performing			(81)	

6.2 WORKING CAPITAL continued

6.2.3 TRADE AND OTHER RECEIVABLES continued

6.2.3.1 Impairment allowances and write-offs continued

Trade and other receivables are stated after the following write-offs recognised in profit or loss:

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
For the year ended 31 December				
Trade receivables	(20)	(10)		
Other receivables	(15)		(10)	
Total write-off of trade and other receivables	(35)	(10)	(10)	

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

6.2.4 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December				
Non-current				
Other payables ¹	24	121		
Total non-current other payables	24	121		
Current				
Trade payables	1 371	1 164	114	102
Other payables ²	1 569	1 439	86	75
Total current trade and other payables	2 940	2 603	200	177
Total trade and other payables	2 964	2 724	200	177

¹ Relates to retention creditors.

² Includes an amount of R296 million owing to Amot OpCo in relation to the environmental rehabilitation funds which are being held in trust on their behalf.

CHAPTER 6:

Operational performance and working capital continued

6.3 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE AND WORKING CAPITAL

6.3.1 Cash generated by operations

For the year ended 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	(Re-presented) ¹ 2019 Rm
Net operating profit/(loss)		4 293	6 399	(1 511)	2 483
– Continuing operations		4 293	4 269	(2 267)	378
– Discontinued operations			2 130	756	2 105
<i>Adjusted for non-cash movements:</i>					
– Depreciation and amortisation		2 436	1 912	148	129
– Gain on remeasurement of associate to fair value less costs of disposal	6.1.4			(756)	(723)
– Net impairment charges of non-current assets	8.5	1 882	35	2 235	285
– ECLs on financial assets at amortised costs		(144)	165	83	15
– Write-off of trade and other receivables		35	10	10	
– Movement in provisions		(1 100)	127	(3)	(3)
– Movement in retirement employee obligations		4	14		
– Net currency exchange differences		(8)	(103)	45	(25)
– Fair value adjustments on financial instruments		(73)	(474)	2	(368)
– Gain on termination of lease			(1)		
– Net loss on disposal of property, plant and equipment		92		14	18
– Net loss on liquidation of subsidiary				1	
– Net gain on disposal of operation and subsidiaries			(76)	(122)	
– Gain on deemed disposal of JV		(1 321)			
– Gain on disposal of joint operation		(17)			
– Gain on transfer of operation		(4)			
– Loss on loss of control of subsidiary			35		
– Gain on disposal of associates	6.1.4; 8.6		(1 504)		(1 823)
– Loss on dilution of investment in associates		20	42		
– Indemnification asset movement		798	(139)		(65)
– Share-based payment expense		250	266	150	166
– Hedge ineffectiveness on cash flow hedges		57			
– Translation of net investment in foreign operations		(1)			
– Translation of foreign currency items		(12)	127		
– Amortisation of transaction costs		5	(5)	5	(5)
– Non-cash recoveries		132	239		
– Net gains on translation differences recycled to profit or loss		(116)	(840)		3
– Losses on cash flow hedge reserve recycled to profit or loss on deemed disposal of JV		59			
– Other non-cash movements		(8)	(13)		52
Cash before working capital movements		7 259	6 216	301	139
Working capital movements					
– Increase in inventories		(157)	(286)	(4)	(3)
– Decrease/(increase) in trade and other receivables		515	(392)	(43)	(533)
– Increase in receivable treasury facilities with subsidiaries				(848)	(2 428)
– Increase/(decrease) in trade and other payables		193	(192)	(3)	70
– Increase in payable treasury facilities with subsidiaries				1 952	3 561
– Utilisation of provisions	13.3	(40)	(73)		(1)
Cash generated by operations		7 770	5 273	1 355	805

¹ An amount of R48 million was reclassified from translation difference on movement in cash and cash equivalents to cash generated by operations (net currency exchange differences) for better presentation. The translation differences relate to operating activities and not movement in cash and cash equivalents of foreign entities.

CHAPTER 7:

TAXATION

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CHAPTER 7:

Taxation

7.1 ACCOUNTING POLICIES RELATING TO TAXATION

7.1.1 INCOME TAX EXPENSE

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

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in the determination of taxable profit or loss (temporary differences), and it further excludes items that are never taxable nor deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

7.1.2 DEFERRED TAX

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

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

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

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

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

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences can be realised from the utilisation of future taxable profit or to the extent of expected probable future transactions which may result in capital gains. This requires management to make assumptions, on a subsidiary-by-subsidiary level, of future taxable profits or expected capital gains in determining the deferred tax asset to be raised.

7.3 INCOME TAX (EXPENSE)/BENEFIT

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
For the year ended 31 December				
<i>South African normal tax</i>				
Current	(951)	(748)	(18)	(50)
– Current year	(918)	(815)	(18)	(17)
– Prior year	(33)	67		(33)
Deferred	266	(258)	145	(31)
– Current year	235	(317)	145	(59)
– Prior year	31	59		28
<i>Foreign normal tax</i>				
Current	(21)	(13)		
– Current year	(21)	(13)		
<i>Dividend withholding tax</i>				
– Non-resident	(13)	(13)		
– Resident		(1)		
Total income tax (expense)/benefit through profit or loss	(719)	(1 033)	127	(81)
Continuing operations	(719)	(968)	127	(16)
Discontinued operations		(65)		(65)

7.4 RECONCILIATION OF TAX RATES

	Group		Company	
	2020 %	2019 %	2020 %	2019 %
For the year ended 31 December				
Tax as a percentage of profit before tax from continuing operations	7.3	10.9	(7.8)	0.3
Tax effect of:				
– Net capital gains ¹	2.1	1.0	1.9	1.2
– Net impairment charges on non-current assets ²	(1.5)	0.1	(38.4)	0.3
– Expenses not deductible for tax purposes ³	(2.2)	1.4	(1.1)	1.9
– Exempt income ⁴	2.5		65.9	24.4
– Special tax allowances		0.1		
– Post-tax equity-accounted income ⁵	18.2	14.7		
– Remeasurements of foreign tax rate differences	0.3	0.3		
– Prior year tax adjustments ⁶		1.4		(0.1)
– Deferred tax assets recognised/(not recognised) ⁷	1.8	(1.6)	7.5	
– Imputed income from controlled foreign companies and investments	(0.5)	(0.3)		
Standard tax rate	28.0	28.0	28.0	28.0
Effective tax rate for continuing operations, excluding income from equity-accounted investments	20.8	22.9		
¹ Relates to the deemed disposal of the Cennerg JV and the disposal of EMJV.				
² Impairment charges and impairment reversals were split out of the other non-deductible expenses line. Refer note 8.5.				
³ Expenses not deductible for tax purposes:	(2.2)	1.4	(1.1)	1.9
– Consulting, legal and other professional fees	(0.1)	(0.7)	(0.4)	(1.1)
– ESD grants	(0.1)	(0.1)	(0.4)	(0.2)
– Share-based payments		1.3	(0.3)	1.5
– Penalties and interest on taxes		(0.1)		
– Contingent consideration fair value adjustments		1.3		2.2
– Other ⁸	(2.0)	(0.3)	(0.1)	(0.5)
⁴ For group, relates mainly to contributions received by Exxaro ESOP Trust and donations received by Exxaro Community NPC, a tax exempt institution. For company, this relates to dividend income received.				
⁵ The increase is as a result of the increase in the SIOC equity-accounted income (refer note 9.3).				
⁶ Includes disputes relating to imputed section 9D income from controlled foreign companies, which were settled with SARS in the prior year.				
⁷ A deferred tax asset has been recognised on assessed capital losses in anticipation of the sale of the Tronox investments. In the prior year only a portion (approximately 50%) had been recognised in company. Set off against the recognition of deferred tax assets are deferred tax assets not recognised for the group relating to tax losses, provisions and unredeemed capital expenditure. The most significant tax loss and unredeemed capital expenditure on which no deferred tax asset was recognised is that of Dorstfontein, amounting to R508 million.				
⁸ For group, relates mainly to the movement in the indemnification asset in 2020.				

7.5 DEFERRED TAX

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December				
The movements on deferred tax are as follows:				
At beginning of the year	(6 671)	(6 351)	296	374
Items charged to profit or loss	266	(258)	145	(31)
– Current year	235	(317)	145	(59)
– Prior year	31	59		28
Items charged directly to equity	30	(72)	18	(47)
– Share-based payments movement	30	(72)	18	(47)
Items charged directly to other comprehensive income	111	(7)		
– Cash flow hedges	120			
– Retirement employee obligations	(9)	(7)		
Reclassification to non-current assets held-for-sale	21			
Acquisition of subsidiaries	(917)			
Derecognised on loss of control of subsidiary		17		
At end of the year	(7 160)	(6 671)	459	296
Deferred tax asset	1 076	467	459	296
Deferred tax liability	(8 236)	(7 138)		

CHAPTER 7:

Taxation continued

7.5 DEFERRED TAX continued

At 31 December 2019			
	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment	588	(7 257)	(6 669)
Customer contracts			
Right-of-use assets	(141)	2	(139)
Share-based payments	115	40	155
Other accruals and provisions	(41)	553	512
Bad debt reassessment	21	24	45
Restoration provisions	425	256	681
Decommissioning provisions	96	56	152
Leave pay accrual	28	29	57
Retention payables	57	107	164
Prepayments	(14)	(23)	(37)
Environmental rehabilitation funds	(294)	(257)	(551)
Income received in advance	7		7
Inventories	(8)	17	9
Lease receivables		(19)	(19)
Local tax losses carried forward	310	55	365
Revaluation of financial assets at FVOCI		(82)	(82)
Retirement employee obligations	51	5	56
Deferred tax assets not recognised or derecognised	(879)	(447)	(1 326)
Investment in RBCT		(196)	(196)
Unclaimed donations	10		10
Lease liabilities	136	(1)	135
Cash flow hedge reserve			
Contributions to Exxaro ESOP Trust			
Total	467	(7 138)	(6 671)

Group

Movement during the year					At 31 December 2020		
Recognised in profit or loss Rm	Acquisition of subsidiaries Rm	Recognised in OCI Rm	Reclassification to non-current assets held-for-sale Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
41	(1 151)		21		(933)	(6 825)	(7 758)
	(752)					(752)	(752)
22	(14)				(138)	7	(131)
(13)				30	121	51	172
(317)					(2)	197	195
					40	5	45
(154)					151	376	527
(66)	11				37	60	97
9					30	36	66
(32)					21	111	132
(6)					(11)	(32)	(43)
14					(62)	(475)	(537)
					6	1	7
4					(9)	22	13
2						(17)	(17)
397	974				1 287	449	1 736
						(82)	(82)
(6)		(9)			41		41
182					111	(1 255)	(1 144)
						(196)	(196)
62					72		72
1	15				145	6	151
		120			122	(2)	120
126					47	79	126
266	(917)	111	21	30	1 076	(8 236)	(7 160)

CHAPTER 7:

Taxation continued

7.5 DEFERRED TAX continued

	Company			
	At 31 December 2019	Movement during the year		At 31 December 2020
	Total asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Total asset ¹ Rm
Property, plant and equipment	(38)	19		(19)
Right-of-use assets	(123)			(123)
Share-based payments	99	(10)	18	107
Other accruals and provisions	51	(24)		27
Bad debt reassessment	3	20		23
Restoration provisions	10			10
Leave pay accrual	7	2		9
Environmental rehabilitation funds	(8)			(8)
Lease liabilities	130	(3)		127
Capital losses	165	121		286
Unclaimed donations		16		16
Contributions to Exxaro ESOP Trust		4		4
Total	296	145	18	459

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

Tax on calculated assessable losses and unredeemed capital expenditure

At 31 December	Group	
	2020 Rm	2019 Rm
Deferred tax assets not recognised, relating to:		
– Local accumulated tax losses	(1 227)	(1 304)
– Current year tax losses calculated	(511)	329
– Unredeemed capital expenditure	(867)	(815)

7.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

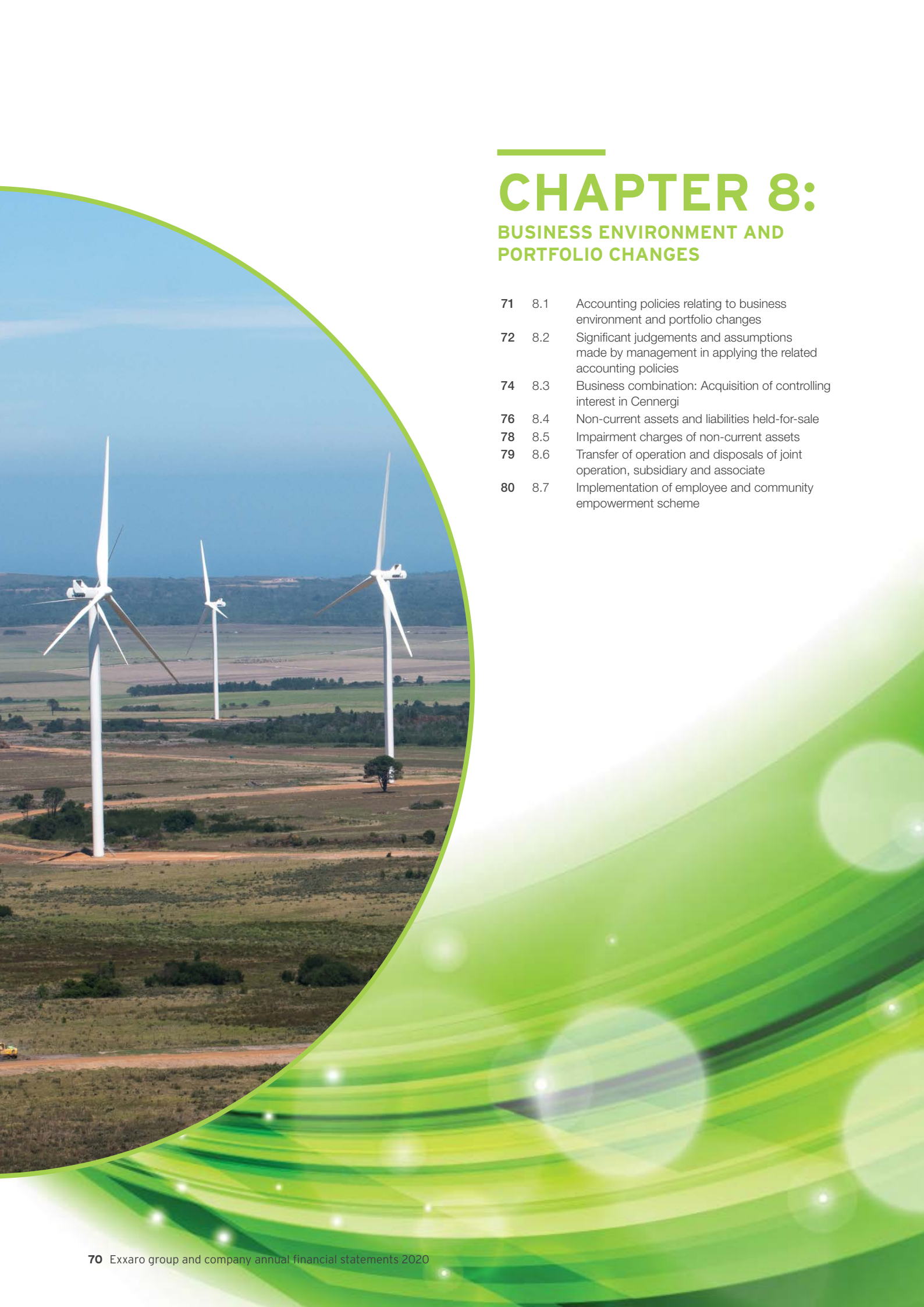
7.6.1 TAX PAID

For the year ended 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Amounts receivable/(payable) at beginning of the year	215	(186)	(10)	
Acquisition of subsidiaries	(12)			
Amounts charged to the statement of comprehensive income	(985)	(775)	(18)	(50)
Arising on translation of foreign operations		(1)		
Reclassification to non-current assets held-for-sale	(20)			
Amounts (receivable)/payable at end of the year	(164)	(215)	(8)	10
Tax paid	(966)	(1 177)	(36)	(40)

7.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December	Group							
	2020				2019			
	Gross Rm	Tax Rm	NCI Rm	Net Rm	Gross Rm	Tax Rm	NCI Rm	Net Rm
Unrealised exchange differences on translation of foreign operations	55		(12)	43	(7)		8	1
Changes in fair value of equity investment at FVOCI	(13)		4	(9)	50		7	57
Remeasurement of retirement employee obligations	30	(9)	(5)	16	26	(7)	(4)	15
Changes in fair value of cash flow hedges	(535)	150	86	(299)				
Recycling of FCTR on liquidation of subsidiary	(103)		23	(80)	(7)		(1)	(8)
Recycling of FCTR on disposal of associate	(13)		3	(10)				
Recycling of FCTR on partial disposal of associate					(832)			(832)
Recycling of financial instruments revaluation reserve on deemed disposal of JV	59		(13)	46				
Recycling of financial instruments revaluation reserve on partial disposal of associate					1			1
Recycling of FCTR on dilution of associate					(1)			(1)
Recycling of fair value adjustments on cash flow hedges	107	(30)	(17)	60				
Share of OCI of equity-accounted investments relating to:	31	20	2	53	68	(1)	(1)	66
– Unrealised exchange differences on translation of foreign operations	15		(4)	11	44		11	55
– Revaluation of financial instruments	(54)	20	7	(27)	8		(12)	(4)
– Equity-settled reserve movement	68			68	10			10
– Other reserve movement					3			3
– Remeasurement of retirement employee obligations	2			2	3	(1)		2
Total	(382)	131	71	(180)	(702)	(8)	9	(701)

For the year ended 31 December	Company	
	2019	
	Gross Rm	Net Rm
Unrealised exchange differences on translation of foreign entity	(1)	(1)
Recycling of FCTR on deregistration of a foreign entity	3	3
Total	2	2



CHAPTER 8:

BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

71	8.1	Accounting policies relating to business environment and portfolio changes
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CHAPTER 8:

Business environment and portfolio changes

8.1 ACCOUNTING POLICIES RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

8.1.1 BUSINESS COMBINATIONS

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

For group, when a business combination is achieved in stages, the acquisition date carrying value of the previously held equity interest is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

For group, acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IFRS 9 *Financial Instruments* in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is measured at the acquisition date as:

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

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

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

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

8.1.3 IMPAIRMENT OF NON-CURRENT ASSETS

The carrying amounts of non-current assets (or CGUs) are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indicator of impairment exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs of disposal and the value in use.

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

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

Goodwill is tested annually for impairment (refer note 10.2.1).

CHAPTER 8:

Business environment and portfolio changes continued

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

IFRS 3 *Business Combinations* (IFRS 3)

In applying IFRS 3, management applied the following significant judgements and estimates:

Fair values of material assets acquired

The following material assets were fair valued applying the following valuation techniques and key assumptions:

Plant and equipment:	Primary operating assets: Wind turbines with substation connections to the grid
Valuation technique:	Cost approach applying a depreciated replacement cost method, which determines the replacement cost of an existing asset after deducting an allowance for wear or consumption to reflect the remaining economic life of the existing asset.
Key assumptions:	Asset lives: 26.3 to 26.4 years Depreciation method: Straight line Condition rating ¹ : Very good (94% to 96%) ¹ Asset condition: Asset is like new, fully operable, well maintained, and performs consistently at or above current standards. Little wear shown and no further action required.
Intangible assets:	Existing power purchase agreements with Eskom
Valuation technique:	Income approach applying a multi-period excess earnings method which determines the present value of the after-tax cash flow attributed to the intangible asset. The technique is based on the earnings power or cash-generating abilities of the entity or asset being valued. The income approach focuses on estimating a forecast cash flow stream that is reflective of the most likely future operations of the entity or asset. Such forecast cash flows are then discounted to present value based on the appropriate risk adjusted discount rate or capitalisation rate that is reflective of both the risk and long-term growth prospects of the entity or asset.
Key assumptions:	Discount rate: 11.1% Remaining life of contracts: 16.3 to 16.4 years

Non-controlling interests:

Management views the share-based payment transactions with the BEE minority shareholders of the SPVs as in-substance share options that are equity-settled in terms of IFRS 2 *Share-based Payment* (IFRS 2). These options were not yet exercised at the acquisition date.

Non-controlling interests: In-substance share option

Valuation technique:	A Monte-Carlo simulation technique has been applied, discounting the distribution streams using a risk-free rate of return.	
Key assumption:	Risk-free curve – ZAR swap zero curve semi-annual:	Year 1 to 5: 5.31% to 6.20% Year 6 to 16: 7.03% to 10.28%
	Lock-in discount percentage:	33% for community BEE parties 25% for other BEE party
	Standard deviation tolerance:	7% for Amakhala SPV 10% for Tsitsikamma SPV

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

IFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations (IFRS 5)

In applying IFRS 5, management made judgements as to which non-current assets and discontinued operations meet the criteria to be classified and measured in terms of IFRS 5 (refer notes 8.4 and 6.1.4).

IAS 36 Impairment of Assets (IAS 36)

In applying IAS 36, impairment assessments are performed whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. Management, in particular, identify and track indicators such as the movement in group market capitalisation, volatility in exchange rates, commodity prices and the economic environment in which the businesses operate, to assess whether there is an indication of impairment.

Assets previously impaired are reviewed for possible reversal of impairment at each reporting date.

Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating the cash flows, management bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used 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.

The impairment assessments performed by management for the different operations resulted in no impairment for the year ended 31 December 2020, except for the ECC operation. Judgements were required in the determination of key variables and future market conditions, particularly in relation to the parameters included in the following table:

Coal operations	2020	2019
Discount rate (%)	8.38%	7.87%
Rand/US\$ exchange rate	R15.50 to R16.27	R12.99 to R14.22
Coal API4 long-term price (per tonne)	US\$72.14	US\$81.00
Coal domestic selling price range (per tonne)	R695 to R735	R508 to R563

Management considered and assessed reasonably possible changes for the key assumptions and have not identified any instances that could cause the carrying amount of the coal operations to exceed its recoverable amount.

Refer note 10.2.2 for details of the impairment testing performed on the Cennergi CGU.

CHAPTER 8:

Business environment and portfolio changes continued

8.3 BUSINESS COMBINATION: ACQUISITION OF CONTROLLING INTEREST IN CENNERGI

8.3.1 Overview of Cennergi

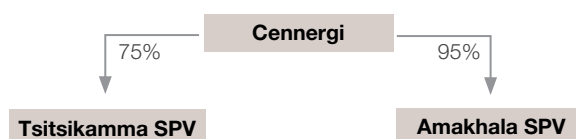
Exxaro and Tata Power, through its wholly owned subsidiary Khopoli, formed a 50:50 JV to create Cennergi in March 2012. Exxaro has recognised its existing 50% interest in the JV as an equity-accounted investment.

Cennergi is a company established and registered in South Africa operating in the renewable energy sector. Its business is the investigation of feasibility, development, ownership, operation, maintenance, acquisition and management of renewable energy projects in certain permitted territories.

Cennergi owns two wind farms which were originally bid as part of Window 2 of the Department of Energy's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) namely:

- Amakhala Emoyeni Wind Farm situated near Cookhouse in the Eastern Cape with an installed capacity of 134 Megawatts
- Tsitsikamma Community Wind Farm located close to Tsitsikamma in the Eastern Cape with an installed capacity of 95 Megawatts.

Each of the wind farms has been set up in separate project companies (SPVs) of which Cennergi holds the controlling interest as illustrated in the diagram below:



Cennergi forms part of the energy reportable segment.

8.3.2 Overview of the transaction

Tata Power decided to dispose of its 50% interest in Cennergi creating an opportunity for Exxaro to act on its ambitions of growing its presence in the energy sector, by acquiring the 50% interest owned by Khopoli. The acquisition contributes towards aligning the long-term environmental, sustainability, growth strategy and expansion of Exxaro into renewable energies and aligns the strategic intent of Exxaro of forming a second core business next to coal.

Therefore, with effect from 1 April 2020, Exxaro acquired Khopoli's 50% share of the issued share capital of Cennergi, resulting in Exxaro obtaining sole control over Cennergi. The transaction has been accounted for as a business combination achieved in stages (step-up acquisition) in terms of IFRS 3.

Given the existing relationship with Cennergi, the related cost associated with the acquisition of the remaining 50% interest was minimal, with an amount of R2.4 million being expensed through operating expenses.

The fair value of the 100% controlling interest acquired and its attribution to the net identifiable assets acquired and resultant goodwill is summarised below:

	Note	Rm
Fair value of new 50% interest acquired (the purchase consideration)	8.3.2.1	1 739
Fair value of 50% interest held under joint control	8.3.2.2	1 502
Fair value of the 100% controlling interest acquired		3 241
<i>Attributed to:</i>		
Goodwill	8.3.2.3	521
Fair value of net identifiable assets acquired	8.3.2.4	2 867
NCIs	8.3.2.5	(147)
The transaction resulted in the following net cash outflow from investing activities:		
– Cash paid	8.3.2.1	(1 739)
– Cash and cash equivalents acquired	8.3.2.4	337
Net cash outflow from acquisition of subsidiaries		(1 402)

The accounting for the acquisition of Cennergi in terms of IFRS 3 was provisionally reported on for the six-month period ended 30 June 2020. Subsequently, the following changes to the purchase price allocation were made:

- Recognition of NCIs of R147 million for the existing in-substance share options held by Cennergi's BEE minorities
- Resultant increase in goodwill of R147 million to R521 million (previously reported: R374 million).

The reviewed condensed group interim financial statements as at and for the six-month period ending 30 June 2021 will be re-presented for these changes.

At 31 December 2020, the accounting for the acquisition of Cennergi has been concluded.

8.3 BUSINESS COMBINATION: ACQUISITION OF CONTROLLING INTEREST IN CENNERGI continued

8.3.2 Overview of the transaction continued

8.3.2.1 Purchase consideration for newly acquired 50% interest

The purchase consideration for the additional 50% interest acquired in Cennergi has been fully settled in cash. The purchase consideration represents the consideration transferred at its acquisition-date fair value. This is summarised into its components as follows:

	Rm
Purchase consideration settled in cash	1 641
Contingent consideration subsequently settled in cash ¹	98
Fair value of purchase consideration	1 739

¹ As part of the purchase consideration, Exxaro was required to pay Khopoli 50% of the value that Cennergi company would recover from its proven claims in the liquidation account of one of the BEE minority shareholders. The liquidation account has been settled in December 2020 and the final consideration has been paid.

8.3.2.2 Fair value of pre-existing 50% interest

The pre-existing 50% interest in Cennergi forms part of the 100% controlling interest that Exxaro holds as of the acquisition date and is therefore fair valued immediately preceding the acquisition date. The gain resulting from remeasuring the pre-existing interest was recognised in profit or loss and is ultimately treated as a deemed disposal of the pre-existing interest.

The deemed disposal and fair value recognition is summarised as follows:

	Note	Rm
Fair value of 50% interest held under joint control		1 502
Carrying value of equity-accounted investment		(181)
Gain recognised in operating expenses¹	6.1.3	1 321
Losses on share of cash flow hedge reserve recycled through profit or loss	6.1.3	(59)
Net impact on profit or loss		1 262

¹ Headline earnings adjustment.

8.3.2.3 Goodwill

Goodwill represents the residual value between the fair value of the 100% controlling interest acquired, the net identifiable assets recognised and NCIs recognised. The value of goodwill is attributed to the value of other items at acquisition date which are not separately identifiable to achieve recognition as intangible assets.

The goodwill recognised is attributed mainly to:

- The further operating capability of the assets and market demand for renewable energy post the existing power purchase agreements. The wind farms' lifespan is longer than the current power purchase agreements in place. Given the expected growth in demand for energy in South Africa, coupled with limited supply of energy, and in particular the worldwide drive towards energy supply to be from renewable sources, it is considered that there is a market with value post the existing power purchase agreements' contracts
- The existing assembled workforce of Cennergi
- A premium payable arising from the limited supply of, and high demand for, investment opportunities into renewable energy projects within the South African landscape
- Non-controlling interests recognised.

The goodwill is not deductible for tax purposes.

An impairment assessment was performed on 31 December 2020 for the goodwill acquired. The assessment resulted in no impairment charge for the year. Refer note 10.2.2.

CHAPTER 8:

Business environment and portfolio changes continued

8.3 BUSINESS COMBINATION: ACQUISITION OF CONTROLLING INTEREST IN CENNERGI continued

8.3.2 Overview of the transaction continued

8.3.2.4 Identifiable assets acquired and liabilities assumed

The fair value of the identifiable assets acquired and liabilities assumed of Cennergi as at the acquisition date are summarised as follows:

	Non-current Rm	Current Rm	Total Rm
Property, plant and equipment	5 952		5 952
Right-of-use assets	51		51
Intangible assets	2 685		2 685
Deferred tax assets	66		66
Deferred tax liabilities	(983)		(983)
Provisions	(39)		(39)
Financial liabilities: derivatives designated as hedging instruments	(272)		(272)
Net debt	(4 847)	115	(4 732)
– Cash and cash equivalents		337	337
– Interest-bearing borrowings	(4 799)	(215)	(5 014)
– Lease liabilities	(48)	(7)	(55)
Trade and other receivables ¹		187	187
Trade and other payables		(25)	(25)
Financial assets at amortised cost: interest-bearing loan receivable		1	1
Current tax payable		(12)	(12)
Other assets		4	4
Other liabilities		(16)	(16)
Net identifiable assets acquired and liabilities assumed	2 613	254	2 867

¹ The fair values of acquired receivables represent the gross contractual amount. The full contractual cash flows are expected to be collected.

8.3.2.5 Non-controlling interests

The arrangements in place with the minority shareholders of Tsitsikamma SPV and Amakhala SPV represent fully vested share-based payment arrangements under IFRS 2. The arrangements are viewed as in substance share options with the minorities, as the minorities are not exposed to downside risk nor benefit, until such time as the underlying shareholder financing of the arrangements has been settled.

For purposes of the acquisition, Cennergi, as the acquiree, has outstanding share-based payment transactions that Exxaro, as the acquirer, did not replace, cancel or exchange as part of the acquisition. The share-based payment transactions have vested and therefore the share-based payment transactions of Cennergi are accounted for as part of the NCIs in the Cennergi group acquisition and are measured at their market-based measure in terms of IFRS 2.

8.3.3 Performance contribution to Exxaro's results

	Revenue Rm	Profit Rm
Cennergi's 100% results included in Exxaro's results from 1 April 2020 to 31 December 2020	890	(14)
Cennergi's results contribution to Exxaro's results, if included from 1 January 2020 to 31 December 2020 ¹	1 156	12

¹ The profit represents Cennergi's profit before adjustments for hedge accounting adopted at an Exxaro group level. The assimilated scenario cannot be determined from an Exxaro perspective, as Exxaro has adopted hedge accounting only from 1 April 2020.

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

ECC OPERATION

The ECC operation was identified as non-core to the future objectives of Exxaro. As a result, Exxaro embarked on a divestment process of the total equity interest in ECC. On 31 December 2020 the ECC operation met all the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5.

The ECC operation is reported as part of the coal Mpumalanga reportable segment and does not meet the criteria to be classified as a discontinued operation since it does not represent a separate major line of business, nor does it represent a major geographical area of operation.

8.4 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE *continued*

TRONOX HOLDINGS PLC

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

Subsequently, Exxaro sold 22 425 000 Class A Tronox Limited ordinary shares during October 2017. During May 2019, Tronox Holdings plc repurchased 14 000 000 Tronox Holdings plc ordinary shares from Exxaro after Tronox Limited had redomiciled to the UK. On 31 December 2020, management concluded that the remaining investment in Tronox Holdings plc continues to meet the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. Subsequent to year-end the remaining 14 729 280 Tronox Holdings plc ordinary shares were sold (refer note 18.4).

The Tronox Holdings plc investment is presented within the total assets of the TiO₂ reportable segment and is presented as a discontinued operation (refer note 6.1.4).

EMJV

As part of the ECC acquisition in 2015, Exxaro acquired non-current liabilities held-for-sale relating to EMJV. The transaction was conditional on a section 43 consent required in terms of the MPRDA for transfer of the legal environmental liabilities and rehabilitation obligations to Scinta Energy Proprietary Limited. On 31 December 2020, all conditions precedent to the transaction were met and the transaction became effective.

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

At 31 December	Group		Company	
	2020 Rm	(Re-presented) ¹ 2019 Rm	2020 Rm	2019 Rm
Assets				
Property, plant and equipment	841			
Right-of-use assets	1			
Intangible assets	2			
Investments in associates	1 741	1 741	3 133	2 377
– Tronox Holdings plc	1 741	1 741	3 133	2 377
Investment in subsidiaries			869	
– ECC			869	
Non-current financial assets at FVPL	655			
– Environmental rehabilitation funds	655			
Inventories	149			
Trade and other receivables	39			
– Trade receivables	29			
– Other receivables	10			
Current financial assets	139			
– Loans to associates: Tumelo	139			
Current tax receivable	21			
Cash and cash equivalents	8			
Other current assets	153			
Non-current assets held-for-sale	3 749	1 741	4 002	2 377
Liabilities				
Non-current lease liabilities	(13)			
Other non-current payables	(7)			
Non-current provisions	(724)	(1 393)		
Retirement employee obligations	(1)	(17)		
Deferred tax liabilities	(21)			
Trade and other payables	(289)			
– Trade payables	(76)			
– Other payables	(213)			
Current lease liabilities	(8)			
Current provisions	(2)			
Current tax payable	(1)			
Other current liabilities	(72)			
Non-current liabilities held-for-sale	(1 138)	(1 410)		
Net non-current assets held-for-sale	2 611	331	4 002	2 377

¹ Refer note 18.3.

CHAPTER 8:

Business environment and portfolio changes continued

8.5 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
For the year ended 31 December				
ECC operation				
Impairment charges	(1 378)		(1 520)	(227)
– Property, plant and equipment	(1 359)			
– Right-of-use assets	(19)			
– Investment in subsidiary			(1 520)	(227)
Investments in associates				
Impairment charges	(504)	(58)	(715)	(58)
– Insect Technology	(458)		(674)	
– Curapipe	(46)		(41)	
– GAM		(58)		(58)
Reductants operation				
Impairment reversal		23		
– Property, plant and equipment		23		
Net impairment charges	(1 882)	(35)	(2 235)	(285)
Tax effect ¹	236			
Net effect on attributable earnings	(1 646)	(35)	(2 235)	(285)

¹ Tax effect relates to the ECC operation.

ECC operation

On 31 December 2020, the ECC operation met all the criteria in terms of IFRS 5 to be classified as a non-current asset held-for-sale (refer note 8.4). An impairment assessment in terms of IAS 36 was required to be performed. The recoverable amount was determined to be its fair value less costs of disposal (which represents the discounted value of the offer price negotiated with the proposed buyer to the sales transaction).

Insect Technology

During 2020, Exxaro's investment in Insect Technology was no longer considered to be a strategic fit for Exxaro. Consequently Exxaro will not participate in any further fund raising.

Insect Technology was unable to raise funding for pre-commissioning, research and development, as well as operational expenses. The delays in the fund raising had an impact on working capital requirements and the company found itself in severe financial distress. Due to the uncertainty of whether Insect Technology will continue as a going concern, a decision was taken to impair the investment.

On 31 December 2020, the equity interest in Insect Technology was impaired to nil.

Curapipe

The investment in Curapipe was identified not to be a strategic fit for Exxaro and as a result, Exxaro embarked on a divestment process during 2020 for the total equity interest in Curapipe. On 30 June 2020, the investment in Curapipe was impaired to US\$1. Subsequently, the investment in Curapipe was sold on 9 November 2020.

8.6 TRANSFER OF OPERATION AND DISPOSALS OF JOINT OPERATION, SUBSIDIARY AND ASSOCIATE

	Group	
	Arnot operation ¹ Rm	EMJV ² Rm
For the year ended 31 December 2020		
Consideration:		
– Cash transferred	(14)	
Total disposal consideration	(14)	
Carrying amount of net liabilities sold	18	17
– Non-current other assets	(1 164)	
– Financial assets at amortised cost	(280)	
– Other current assets		(612)
– Provisions	1 444	612
– Retirement employee obligation	7	17
– Trade and other payables	5	
– Other current liabilities	6	
Gain on transfer of operation/disposal of joint operation³	4	17

¹ Transfer of the Arnot operation to Arnot OpCo.

² Relates to the disposal of EMJV.

³ After tax of nil.

	Group	
	Tumelo subsidiary ¹ Rm	Tronox UK associate ² Rm
For the year ended 31 December 2019		
Consideration:		
– Cash		1 597
– Loan to associate	142	
Total disposal consideration	142	1 597
Carrying amount of net assets/investment sold	(177)	(1 327)
– Property, plant and equipment	(21)	
– Investment in associate ³	(92)	(1 327)
– Financial assets at amortised cost	(12)	
– Deferred tax asset	(10)	
– Other current assets	(1)	
– Provisions	9	
– Deferred tax liability	27	
– Trade and other payables	4	
– Other current liabilities	1	
– Non-controlling interests	(82)	
(Loss on loss of control)/gain on disposal⁴	(35)	270

¹ On 1 January 2019, Exxaro lost control over the management function of Tumelo. This resulted in Tumelo being accounted for as an associate at an initial carrying value of nil.

² Relates to the redemption of membership interest in Tronox UK.

³ The carrying amount reduced during the year by R460 million as a result of a dividend distribution received from Tronox UK.

⁴ After tax of nil.

CHAPTER 8:

Business environment and portfolio changes continued

8.6 TRANSFER OF OPERATION AND DISPOSALS OF JOINT OPERATION, SUBSIDIARY AND ASSOCIATE continued

	Company	
	Eyesizwe ¹ Rm	Exxaro Beijing ² Rm
For the year ended 31 December 2020		
Consideration:		
– Cash	924	
– Loans advanced	196	
Total disposal consideration	1 120	
Carrying amount of investment sold/deregistered	(998)	(1)
– Investment in subsidiaries	(998)	(1)
Gain on disposal/(loss on deregistration) of subsidiary³	122	(1)

¹ Relates to the shares sold to Exxaro ESOP SPV and Exxaro Community NPC (refer note 8.7).

² Relates to the deregistration of Exxaro Resources (Beijing) Commercial Company Limited.

³ After tax of nil.

	Company	
	Tronox UK associate ¹ Rm	
For the year ended 31 December 2019		
Consideration:		
– Cash		1 597
Total disposal consideration		1 597
Carrying amount of investment sold		(1 091)
– Investment in associate		(1 091)
Gain on disposal²		506

¹ Relates to the redemption of membership interest in Tronox UK.

² After tax of nil.

8.7 IMPLEMENTATION OF EMPLOYEE AND COMMUNITY EMPOWERMENT SCHEME

During 2020, Exxaro implemented Phase II of the Replacement BEE Transaction, by utilising 10% of Exxaro's interest in Eyesizwe for the empowerment of relevant Exxaro employees (ESOP arrangement) and communities (Community arrangement).

ESOP arrangement

On 27 March 2020, the ESOP arrangement was successfully implemented.

Exxaro sold 5% of its interest in Eyesizwe to the newly established subsidiary, Exxaro ESOP SPV. Exxaro ESOP Trust subscribed for 100% of the ordinary shares of Exxaro ESOP SPV, utilising the contributions received from participating Exxaro business units. Exxaro subscribed for 100% of the A ordinary shares of Exxaro ESOP SPV.

The beneficiaries of Exxaro ESOP Trust are the relevant Exxaro employees who are identified as qualifying employees in terms of the trust deed.

The beneficiaries will participate in distributions of Exxaro ESOP Trust as and when distributions are declared by Exxaro ESOP Trust for so long as they are in the employment of one of the relevant employer companies within the Exxaro group.

The beneficiaries do not have rights to the allocated units, nor do they retain a right to the allocated units on leaving the employment of the relevant employer companies.

The group therefore recognises a staff cost expense only when a distribution is declared by the Exxaro ESOP Trust, being the point when an unconditional liability is incurred to settle the distribution to the employees.

Community arrangement

On 11 May 2020, the Community arrangement was successfully implemented.

Exxaro sold 5% of its interest in Eyesizwe to the newly established subsidiary, Exxaro Community NPC. The share purchase was funded utilising contributions received by Exxaro Community NPC from the participating Exxaro business units.

Exxaro Community NPC is an NPC established for the benefit of communities in areas where Exxaro and its subsidiaries operate.

An additional donation of R34 million was made by Exxaro to Exxaro Community NPC to fund the first project focused on aiding communities which have been negatively impacted by the COVID-19 pandemic.

Costs are recognised as and when Exxaro Community NPC incurs costs to execute the various community projects.

CHAPTER 9:

ASSOCIATES AND JOINT ARRANGEMENTS

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82	9.2	Significant judgements and assumptions made by management in applying the related accounting policies
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CHAPTER 9:

Associates and joint arrangements

9.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

9.1.1 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Associates are those entities in which the group has significant influence, but not control nor joint control, over the financial and operating policies. Significant influence is presumed to exist when Exxaro holds between 20% and 50% of the voting rights of another entity, however, the determination of whether significant influence exists is also subject to the consideration of other facts and circumstances, which are a matter of judgement.

Joint arrangements are arrangements in which the group has joint control, established by contracts requiring unanimous consent for decisions on the activities that significantly affect the arrangements' returns. Joint arrangements are classified and accounted for as follows:

- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are proportionately accounted for in relation to the joint operation
- JV: when the group has rights only to the net assets of the arrangements, its interest is accounted for using the equity method, similar to the accounting treatment for associates.

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

For group, the cost of investments in associates and JVs is the fair value at the date of acquisition or the fair value at the date of loss of control of a former subsidiary where the group retains an associate or JV interest in the former subsidiary.

For the group, investments in associates and JVs are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

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

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

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

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

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

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

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

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has. The following judgements have been applied in relation to the assessment of significant influence:

- RBCT: management concluded that significant influence exists on its 10.26% (2019: 10.36%) effective interest in RBCT as a result of Exxaro's representation on the board of directors of RBCT
- Tronox Holdings plc: management concluded that significant influence exists on its 10.26% (2019: 10.38%) interest in Tronox Holdings plc as a result of Exxaro's right to have representation on the board of directors of Tronox Holdings plc. The investment has been classified as a non-current asset held-for-sale (refer note 8.4).

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

9.3 INCOME FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For the year ended 31 December	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividend income from equity-accounted investments	
	(Re-presented) ¹			
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Associates	6 331	4 520	3 119	4 101
SIOC	6 125	4 413	3 119	4 051
Tronox SA	207	234		
Tronox UK ²				50
RBCT	5	1		
Black Mountain	122	52		
Insect Technology	(109)	(148)		
LightApp	(18)	(28)		
Curapipe	(1)	(4)		
Joint ventures	80	173	144	95
Mafube	67	127		
Cennergi ³	13	46	144	95
Income from investments in associates and JVs	6 411	4 693	3 263	4 196

¹ Refer note 18.3.

² The income from Tronox UK, for the company, comprises a dividend distribution in 2019.

³ Equity-accounted income up to 31 March 2020.

CHAPTER 9:

Associates and joint arrangements continued

9.4 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

		Nature of business ¹	Country of incorporation	Percentage holding	
At 31 December	Note			2020 %	2019 %
Unlisted					
Associates					
SIOC ⁴		M	RSA	20.62	20.62
Tronox SA		M	RSA	26.00	26.00
RBCT		T	RSA	10.26	10.36
Black Mountain ^{3; 5}		M	RSA	26.00	26.00
Insect Technology ⁶	8.5	WC	UK	25.85	25.86
LightApp		EN	Israel	28.59	28.59
Curapipe ⁷	8.5	R&D	Israel		15.00
Tumelo ⁸		M	RSA		49.00
GAM ⁹	8.5	EN	RSA	22.00	22.00
Joint ventures					
Mafube		M	RSA	50.00	50.00
Cennergj ¹⁰	8.3	EN	RSA		50.00
Total equity-accounted investments per statement of financial position					
9.5					
Unincorporated joint operations					
Moranbah coal project		M	AUS	50.00	50.00
Refer below for other balances relating to associates and JVs					
Included in non-current assets held-for-sale:		8.4			
Associates					
Listed: Tronox Holdings plc		M	UK	10.26	10.38
Unlisted: Tumelo ⁵		M	RSA	49.00	
Loans to associates: Tumelo					
– Current gross					
– Current impairment allowances					
Included in financial assets:		10.2.2			
Loans to associates: Tumelo					
– Current gross					
– Current impairment allowances					

¹ M — Mining, EN — Energy, T — Export terminal, R&D — Research and development, WC — Waste conversion.

² Fair value represents the directors' valuation at the reporting date.

³ Refer note 18.3.

⁴ The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2020 of R622.81 per share (31 December 2019: R417.05 per share), adjusted for a liquidity discount rate of 20% (2019: 20%).

⁵ Black Mountain's financial year end is 31 March and is therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.

⁶ On 31 December 2020, the investment in Insect Technology was impaired to a carrying value of nil. Refer note 8.5.

⁷ The investment in Curapipe was sold on 9 November 2020 under a deferred compensation offer comprising a cash component of US\$1 and a contingent consideration receivable component. The contingent consideration receivable is dependent on the occurrence of certain transactions. At 31 December 2020, the occurrence of these transactions was considered not to be probable, resulting in contingent consideration receivable of nil.

⁸ The investment in Tumelo was classified as a non-current asset held-for-sale on 31 December 2020.

⁹ The investment in GAM was fully impaired in 2019.

¹⁰ The additional 50% interest in Cennergj was acquired on 1 April 2020, from which date the subsidiaries have been consolidated.

Group		Company		Fair value ²		Fair value hierarchy level	Valuation technique
(Re-presented) ³							
2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm		
18 594	15 928	1 324	2 039				
12 820	9 835			43 358	29 033	2	Adjusted equity value
2 628	2 472	1 181	1 181				
2 053	2 067						
995	872						
	534		674				
98	111	143	143				
	37		41				
1 412	1 574		696				
1 412	1 335		696				
	239						
20 006	17 502	1 324	2 735				
1 880	1 741	3 133	2 377				
1 741	1 741	3 133	2 377				
1 741	1 741	3 133	2 377				
139							
170							
(31)							
	133						
	133						
	182						
	(49)						

Restrictions

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

Risks

Refer note 10.1.4 for details with regard to capital commitments relating to associates and JVs.

Refer note 16.3.4 for details with regard to loan commitments relating to associates and JVs.

Refer note 13.4 for details with regard to contingent liabilities relating to associates and JVs.

CHAPTER 9:

Associates and joint arrangements continued

9.5 MOVEMENT ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

At 31 December	Note	Group					
		Associates		Joint ventures		Total equity-accounted investments	
		(Re-presented) ¹				(Re-presented) ¹	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Gross carrying amount							
At beginning of the year		15 986	15 477	1 574	1 569	17 560	17 046
Share of equity-accounted investments' adjustment from the adoption of IFRS 16 Leases			(11)				(11)
Balance at 1 January		15 986	15 466	1 574	1 569	17 560	17 035
Interests acquired ²			72				72
Interests disposed of	8.3			(181)		(181)	
Interests diluted		(20)	(42)			(20)	(42)
Loss of control of subsidiary			(92)				(92)
Net share of results		6 332	4 521	89	145	6 421	4 666
– Share of income	9.3	6 331	4 520	80	173	6 411	4 693
– Elimination of intergroup profits		1	1	9	(28)	10	(27)
Dividends received		(3 119)	(4 051)	(144)	(95)	(3 263)	(4 146)
Share of movement in reserves		(23)	112	74	(45)	51	67
At end of the year		19 156	15 986	1 412	1 574	20 568	17 560
Accumulated impairment							
At beginning of the year		(58)				(58)	
Impairment charge	8.5	(504)	(58)			(504)	(58)
At end of the year		(562)	(58)			(562)	(58)
Net carrying amount at end of the year		18 594	15 928	1 412	1 574	20 006	17 502

¹ Refer note 18.3.

² Relates to an additional equity interest of 4.47% acquired in Curapipe (R14 million) and a 22% equity interest in GAM which was acquired in exchange for the settlement of the Lebonix debt (R58 million).

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

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

	Associates				Joint venture
	Tronox SA Rm	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income					
For the year ended 31 December 2020					
Revenue	8 988	80 104	1 615	5 704	2 127
Operating expenses	(7 693)	(39 354)	(1 402)	(4 878)	(1 845)
Net operating profit	1 295	40 750	213	826	282
Finance income	39	612		125	(9)
Finance costs	(216)	(288)	(174)	(297)	(43)
Profit before tax	1 118	41 074	39	654	230
Income tax (expense)/benefit	(324)	(11 287)	8	(184)	(76)
Profit for the year	794	29 787	47	470	154
Other comprehensive (loss)/income	(193)	(110)	(11)	3	
Total comprehensive income for the year	601	29 677	36	473	154
Dividends paid to Exxaro		3 119			
Statements of financial position					
At 31 December 2020					
Non-current assets	11 862	45 681	22 947	7 777	3 700
Current assets	7 175	37 005	445	1 417	930
Total assets	19 037	82 686	23 392	9 194	4 630
Equity and liabilities					
Total equity	10 109	62 182	20 014	3 827	2 824
Non-current liabilities	3 971	12 921	2 254	4 239	1 141
Current liabilities	4 957	7 583	1 124	1 128	665
Total equity and liabilities	19 037	82 686	23 392	9 194	4 630
<i>Included above in JVs:</i>					
Cash and cash equivalents					401
Depreciation and amortisation					255

CHAPTER 9:

Associates and joint arrangements continued

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES continued

	Associates				Joint venture
	Tronox SA Rm	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income					
For the year ended 31 December 2019					
Revenue	9 035	64 285	1 659	3 497	2 031
Operating expenses	(7 441)	(35 284)	(1 372)	(2 966)	(1 732)
Net operating profit	1 594	29 001	287	531	299
Finance income	45	769		40	12
Finance costs	(378)	(406)	(320)	(285)	(40)
Profit/(loss) before tax	1 261	29 364	(33)	286	271
Income tax (expense)/benefit	(363)	(7 908)	42	(85)	(73)
Profit for the year	898	21 456	9	201	198
Other comprehensive income/(loss)	207	(87)	6	4	
Total comprehensive income for the year	1 105	21 369	15	205	198
Dividends paid to Exxaro		4 051			
Statements of financial position					
At 31 December 2019					
Non-current assets	11 766	40 678	23 678	7 571	3 506
Current assets	5 734	26 445	373	1 624	677
Total assets	17 500	67 123	24 051	9 195	4 183
Equity and liabilities					
Total equity	9 509	47 710	19 952	3 353	2 671
Non-current liabilities	4 989	12 595	2 982	4 505	1 170
Current liabilities	3 002	6 818	1 117	1 337	342
Total equity and liabilities	17 500	67 123	24 051	9 195	4 183
<i>Included above in JVs:</i>					
Cash and cash equivalents					165
Depreciation and amortisation					251

9.7 RECONCILIATION OF CARRYING AMOUNTS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) in note 9.6, to the carrying value of the equity-accounted investment.

Group	Associates			Joint venture	
	Tronox SA Rm	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
At 31 December 2020					
Closing net assets	10 109	62 182	20 014	3 827	2 824
Interest in equity-accounted investment (%)	26.00	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	2 628	12 822	2 053	995	1 412
Unrealised profit in closing balances		(2)			
Carrying value	2 628	12 820	2 053	995	1 412
At 31 December 2019					
Closing net assets	9 509	47 710	19 952	3 353	2 671
Interest in equity-accounted investment (%)	26.00	20.62	10.36	26.00	50.00
Interest in equity-accounted investment	2 472	9 838	2 067	872	1 335
Unrealised profit in closing balances		(3)			
Carrying value	2 472	9 835	2 067	872	1 335



CHAPTER 10:

ASSETS

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91	10.1.1	Accounting policies relating to property, plant and equipment
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CHAPTER 10:

Assets

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.1 ACCOUNTING POLICIES RELATING TO PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture*, and are therefore accounted for under the requirements for plant and equipment. The cherry trees are classified as immature until the produce can be commercially harvested. At that point, depreciation commences. Immature cherry trees are measured at accumulated cost.

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

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

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

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

	2020				2019		
	Coal	Energy	Ferrous	Other	Coal	Ferrous	Other
Mineral properties	2.5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	N/A	5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Residential buildings	1 to 40 years	N/A	N/A	N/A	1 to 40 years	N/A	N/A
Buildings and infrastructure	1 to 40 years	26.3 and 26.4 years	10 to 20 years	20 to 25 years	1 to 40 years	10 to 20 years	20 to 25 years
Machinery, plant and equipment	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	3 to 26.4 years	5 to 25 years	1 to 20 years	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	5 to 25 years	1 to 20 years
Site preparation and mining development	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	N/A	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Bearer plants (mature)	N/A	N/A	N/A	7 years	N/A	N/A	7 years

Exploration costs

Exploration and evaluation costs are expensed until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not of being realised. In evaluating if expenditure meets the criteria to be capitalised, several sources of information depending on the level of exploration, are utilised. While the criteria for determining capitalisation is based on the probability of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

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

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

Depreciation and useful lives

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

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

CHAPTER 10:

Assets continued

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS

		Group								
		Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Site preparation and mining development Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
At 31 December 2020		Note								
Gross carrying amount										
At beginning of the year		514	2 135	786	5 709	23 144	737	2	9 762	42 789
Additions					413	942	196		1 589	3 140
Changes in decommissioning assets	13.3				(14)	(56)	3		(21)	(88)
Acquisition of subsidiaries	8.3.2.4				4	5 948				5 952
Transfer of operation			(137)							(137)
Borrowing costs capitalised	12.1.2								374	374
Disposals			(27)	(1)	(34)	(592)	(13)		(3)	(670)
Reclassification to non-current assets held-for-sale	8.4	(4)	(991)		(150)	(1 063)	(393)		(84)	(2 685)
Transfer between classes			128		2 014	3 198	103		(5 443)	
Exchange differences on translation		14			1					15
At end of the year		524	1 108	785	7 943	31 521	633	2	6 174	48 690
Accumulated depreciation										
At beginning of the year			(703)	(164)	(1 026)	(7 136)	(93)			(9 122)
Charges for the year	6.1.3		(57)	(26)	(294)	(1 774)	(85)	(1)		(2 237)
Transfer of operation			137							137
Disposals			26	1	28	480	6			541
Reclassification to non-current assets held-for-sale	8.4		73		23	354	35			485
Transfer between classes						1	(1)			
At end of the year			(524)	(189)	(1 269)	(8 075)	(138)	(1)		(10 196)
Accumulated impairment										
At beginning of the year					(14)	(90)			(1)	(105)
Impairment charges	8.5		(837)		(33)	(305)	(154)		(30)	(1 359)
Reclassification to non-current assets held-for-sale	8.4		837		33	305	154		30	1 359
Disposals					3	3				6
At end of the year					(11)	(87)			(1)	(99)
Net carrying amount at end of the year										
		524	584	596	6 663	23 359	495	1	6 173	38 395

10.1 PROPERTY, PLANT AND EQUIPMENT *continued*

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS *continued*

		Group								
		Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Site preparation and mining development Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
At 31 December 2019	Note									
Gross carrying amount										
At beginning of the year		444	2 151	661	4 933	21 417	467	2	6 669	36 744
Transfer to right-of-use assets						(16)				(16)
Balance at 1 January 2019		444	2 151	661	4 933	21 401	467	2	6 669	36 728
Additions		73	1	30	462	1 472	361		3 800	6 199
Transfer from right-of-use assets						14				14
Changes in decommissioning assets	13.3				(7)	(21)	7		17	(4)
Borrowing costs capitalised	12.1.2								448	448
Loss of control of subsidiary			(17)		(9)	(2)				(28)
Disposals				(36)	(70)	(360)	(99)			(565)
Transfer between classes				131	400	640	1		(1 172)	
Exchange differences on translation		(3)								(3)
At end of the year		514	2 135	786	5 709	23 144	737	2	9 762	42 789
Accumulated depreciation										
At beginning of the year			(664)	(175)	(907)	(5 891)	(154)			(7 791)
Transfer to right-of-use assets						2				2
Balance at 1 January 2019			(664)	(175)	(907)	(5 889)	(154)			(7 789)
Charges for the year	6.1.3		(39)	(24)	(193)	(1 555)	(38)			(1 849)
Disposals				35	68	307	99			509
Loss of control of subsidiary					6	1				7
At end of the year			(703)	(164)	(1 026)	(7 136)	(93)			(9 122)
Accumulated impairment										
At beginning of the year					(18)	(108)			(2)	(128)
Impairment reversals					4	18			1	23
At end of the year					(14)	(90)			(1)	(105)
Net carrying amount at end of the year										
		514	1 432	622	4 669	15 918	644	2	9 761	33 562

CHAPTER 10:

Assets continued

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS continued

At 31 December 2020	Note	Company			Total Rm
		Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	
Gross carrying amount					
At beginning of the year		1	831	253	1 085
Additions			9	93	102
Disposals			(101)		(101)
Transfer between classes			105	(105)	
At end of the year		1	844	241	1 086
Accumulated depreciation					
At beginning of the year			(483)		(483)
Charges for the year	6.1.3		(91)		(91)
Disposals			87		87
At end of the year			(487)		(487)
Net carrying amount at end of the year		1	357	241	599

At 31 December 2019	Note	Company			Total Rm
		Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	
Gross carrying amount					
At beginning of the year			788	132	920
Additions		1	93	161	255
Disposals			(90)		(90)
Transfer between classes			40	(40)	
At end of the year		1	831	253	1 085
Accumulated depreciation					
At beginning of the year			(469)		(469)
Charges for the year	6.1.3		(86)		(86)
Disposals			72		72
At end of the year			(483)		(483)
Net carrying amount at end of the year		1	348	253	602

10.1.4 CAPITAL COMMITMENTS

At 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Contracted	2 339	2 225	118	42
Contracted (owner-controlled)	1 990	1 985	118	42
Share of capital commitments of equity-accounted investments	349	240		
Authorised, but not contracted	1 484	3 119	151	134
Authorised but not contracted (owner-controlled)	1 484	3 119	151	134

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

10.2 INTANGIBLE ASSETS

10.2.1 ACCOUNTING POLICIES RELATING TO INTANGIBLE ASSETS

Patents, licences and customer contracts

Patents, licences and customer contracts are Intangible assets with a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the finite useful life assets from the date it is available for use. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate. The estimated useful lives of intangible assets with a finite useful life are:

	2020	2019
Customer contracts	16.3 and 16.4 years	
Patents and licences	1 to 25 years	1 to 25 years

Impairment testing is undertaken when circumstances indicate that the carrying amount may not be recoverable. Refer note 8.1.3.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Refer note 8.1.1 for the policy on the measurement of goodwill at initial recognition.

Goodwill is carried at cost less accumulated impairment losses and is not subject to amortisation, but rather is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or group of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of the CGU containing goodwill is compared to its recoverable amount, which is the higher of value in use or the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

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

Impairment testing of goodwill

In allocating goodwill, the Cennergi group of companies has been identified as a single CGU to which goodwill of R521 million has been allocated.

The Cennergi CGU was assessed for impairment at 31 December 2020 as a result of the requirement to test goodwill annually for impairment. There were no other indicators of impairment for the Cennergi CGU during the reporting period. No impairment charge was required as the recoverable amount, determined using fair value less costs of disposal, exceeded the carrying amount on 31 December 2020.

The recoverable amount was derived using a DCF model which is a Level 3 valuation technique in terms of the fair value hierarchy. The valuation has been performed in South African rand using the following information:

- Approved financial budgets covering a five-year period
- Project financing models post the five-year budget period up to the end of the contractual life of the power purchase agreements
- Extrapolated results for a further post-contractual 10-year period, representing the expected additional economic life for which the wind farms are expected to operate.

The key assumptions made by management (expressed in nominal terms) and management's approach to determining these key assumptions is summarised as follows:

Key assumptions	Management's approach used to determining the values	2020
Discount rate:	Determined applying a risk-free rate of return adjusted for risks inherent to the Cennergi CGU	13.80%
Life of Cennergi CGU:	The wind farms are expected to have a further operating capability of an additional ten-years post the existing power purchase agreements in accordance with technical engineering assessments. In addition, given the expected growth in demand for energy in South Africa, coupled with limited supply of energy, and in particular the worldwide drive towards energy supply to be from renewable sources, it is considered that there is a market with value post the existing power purchase agreements.	26.4 years
Gigawatt generation:	The Gigawatt generation assumption has been determined based on past experience, as well as environmental assessments of wind conditions and capability of the turbines.	664 GWh
Tariff escalation range:	The tariff is based on CPI escalation during the power purchase agreement term which has been determined based on past experience and from economist projected outlooks of CPI. For the post 10-year period the tariff has been set at a reduced constant expected CPI.	4.5% to 5.7%

Management has considered and assessed reasonably possible changes to the key assumptions and has not identified any instances that could cause the carrying amount of the Cennergi CGU to exceed its recoverable amount.

CHAPTER 10:

Assets continued

10.2 INTANGIBLE ASSETS continued

10.2.3 INTANGIBLE ASSETS COMPOSITION AND ANALYSIS

		Group			
		Goodwill Rm	Customer contracts Rm	Patents and licenses Rm	Total Rm
At 31 December 2020	Note				
Gross carrying amount					
At beginning of the year		1 524		43	1 567
Additions				2	2
Acquisition of subsidiaries	8.3	521	2 685		3 206
Exchange differences				1	1
Reclassification to non-current assets held-for-sale	8.4	(1 524)		(7)	(1 531)
At end of the year		521	2 685	39	3 245
Accumulated amortisation					
At beginning of the year				(27)	(27)
Charges for the year	6.1.3		(123)	(5)	(128)
Reclassification to non-current assets held-for-sale	8.4			5	5
At end of the year			(123)	(27)	(150)
Accumulated impairment					
At beginning of the year		(1 524)			(1 524)
Reclassification to non-current assets held-for-sale	8.4	1 524			1 524
At end of the year					
Net carrying amount at end of the year		521	2 562	12	3 095
At 31 December 2019					
Gross carrying amount					
At beginning of the year		1 524		38	1 562
Additions				5	5
At end of the year		1 524		43	1 567
Accumulated amortisation					
At beginning of the year				(23)	(23)
Charges for the year	6.1.3			(4)	(4)
At end of the year				(27)	(27)
Accumulated impairment					
At beginning of the year		(1 524)			(1 524)
At end of the year		(1 524)			(1 524)
Net carrying amount at end of the year				16	16
		Company			
				Patents and licenses Rm	Total Rm
At 31 December 2020	Note				
Gross carrying amount					
At beginning of the year				22	22
At end of the year				22	22
Accumulated amortisation					
At beginning of the year				(14)	(14)
Charges for the year	6.1.3			(2)	(2)
At end of the year				(16)	(16)
Net carrying amount at end of the year				6	6
At 31 December 2019					
Gross carrying amount					
At beginning of the year				21	21
Additions				1	1
At end of the year				22	22
Accumulated amortisation					
At beginning of the year				(12)	(12)
Charges for the year	6.1.3			(2)	(2)
At end of the year				(14)	(14)
Net carrying amount at end of the year				8	8

10.3 FINANCIAL ASSETS

10.3.1 ACCOUNTING POLICIES RELATING TO FINANCIAL ASSETS

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

10.3.2 FINANCIAL ASSETS COMPOSITION

At 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current					
<i>Financial assets at FVOCI</i>		222	235		
Equity: unlisted – Chifeng		222	235		
<i>Financial assets at FVPL</i>		1 247	2 039	30	29
Debt: unlisted – environmental rehabilitation funds		1 247	2 039	30	29
<i>Financial assets at amortised cost</i>		672	400	1 376	7 124
<i>ESD loans¹</i>		79	124	79	124
Interest-bearing loans to subsidiaries ²	17.5			1 297	7 000
Other financial assets at amortised cost		593	276		
– Environmental rehabilitation funds		386			
– Deferred pricing receivable ³		212	279		
– Impairment allowances		(5)	(3)		
Total non-current financial assets	16.3	2 141	2 674	1 406	7 153
Current					
<i>Financial assets at amortised cost</i>		169	272	11 386	4 539
Loans to associates and JVs			133		
– Associates: Tumelo ⁴			133		
<i>ESD loans¹</i>		105	82	105	82
Interest-bearing loans to subsidiaries ²	17.5			6 041	60
Non-interest-bearing loans to subsidiaries ⁵	17.5			353	359
Treasury facilities with subsidiaries at amortised cost ⁶	17.5			4 887	4 038
Other financial assets at amortised cost		64	57		
– Deferred pricing receivable ³		64	57		
– Deferred consideration receivable ⁷		1	1		
– Employee receivables		4	5	4	5
– Impairment allowances		(5)	(6)	(4)	(5)
Total current financial assets	16.3	169	272	11 386	4 539
Total financial assets		2 310	2 946	12 792	11 692

¹ Interest-free loans advanced to successful applicants in terms of the Exxaro ESD programme.

² Includes back-to-back loans as well as other interest-bearing loans. Refer note 17.5 for details of the terms and conditions.

³ Relates to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years (ending 2024) and bears interest at Prime Rate less 2%.

⁴ Loan granted to Tumelo. The loan is interest-free, unsecured and repayable on demand, unless otherwise agreed by the parties. On 31 December 2020 the loan was classified as a non-current asset held-for-sale.

⁵ These loans are interest-free, unsecured and repayable on demand.

⁶ Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.

⁷ Relates to deferred consideration receivable which arose on the disposal of mineral properties.

CHAPTER 10:

Assets continued

10.4 OTHER ASSETS

10.4.1 OTHER ASSETS COMPOSITION

At 31 December	Group		Company	
	2020 Rm	(Re-presented) ¹ 2019 Rm	2020 Rm	(Re-presented) ¹ 2019 Rm
Non-current				
Reimbursements ²	373	1 648		
Indemnification asset: Total S.A. ³		1 410		
Biological assets	28	24		
Lease receivables ⁴	53	61		
Deferred costs	2			
Other	74	51	1	1
Total non-current other assets	530	3 194	1	1
Current				
Indemnification asset: Tronox Holdings plc ⁵		65		65
VAT	504	501		
Royalties	127	114		
Prepayments	144	120	5	10
Current tax receivables	198	265	8	
Lease receivables ⁴	6	6		
Other	41	33	1	9
Total current other assets	1 020	1 104	14	84
Total other assets	1 550	4 298	15	85

¹ 2019 has been re-presented as a result of the following reclassifications:

- Intangible assets have been disaggregated from other assets due to it becoming material for 2020 in light of the business combination
- Lease receivables have been aggregated as part of other assets so as to remove immaterial items from the face of the statement of financial position to provide a better presentation of assets for the users.

² Amounts recoverable from Eskom in respect of rehabilitation, environmental expenditure and retirement employee obligations of the Matla operation at the end of LoM (2019: included Matla and Arnot operations).

³ Upon the acquisition of ECC in 2015, Total S.A. indemnified Exxaro from any obligations relating to EMJV (refer note 8.4). The indemnification lapsed in August 2020.

⁴ The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro funds the capital for a period of 15 years. The municipality's share of the capital expenditure will be recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 13% per annum.

⁵ The indemnification asset arose on the repurchase of the Tronox Holdings plc ordinary shares as Tronox Holdings plc indemnified Exxaro from any tax obligation, which arose on the disposal of any of the Tronox Holdings plc ordinary shares held by Exxaro subsequent to the redomicile.

CHAPTER 11:

LEASES

100	11.1	Accounting policies relating to leases
101	11.2	Judgements and assumptions made by management in applying the related accounting policies
101	11.3	Right-of-use assets
104	11.4	Lease liabilities



CHAPTER 11:

Leases

11.1 ACCOUNTING POLICIES RELATING TO LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception, or upon reassessment, of a contract that contains a lease component, the consideration in the contract is allocated to each lease and non-lease component on the basis of their relative standalone prices.

An accounting policy choice was made not to apply IFRS 16 to leases of intangible assets.

As lessee

a) Recognition

A lease is recognised as a lease liability and corresponding right-of-use asset at the commencement date of the lease. Each lease payment is allocated between the settlement of the lease liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, except when there is a purchase option which is expected to be exercised, in which case it is depreciated over the asset's useful life.

Non-lease components, contained in a lease, are recognised as an expense in profit or loss when incurred.

b) Measurement

i) Initial measurement

Right-of-use assets	Lease liabilities
Measured at cost which is: – The amount of the initial measurement of the lease liability – Plus any lease payments made at or before the commencement date – Less any lease incentives received – Plus any initial direct costs – Plus estimated restoration costs.	Measured at the present value of the following lease payments: – Fixed payments (including in-substance fixed payments), less any lease incentives receivable – Variable lease payments that are based on an index or a rate – Amounts expected to be payable by the lessee under residual value guarantees – The exercise price of a purchase option if the lessee is reasonably certain to exercise that option – Payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, an incremental borrowing rate is applied.

ii) Subsequent measurement

Right-of-use assets	Lease liabilities
The right-of-use asset is measured applying the cost model where a right-of-use asset falls within the scope of IAS 16 <i>Property, Plant and Equipment</i>. Measured at: – Cost less – Accumulated depreciation and accumulated impairment losses – Adjusted for any remeasurements or modifications of the lease liability.	The lease liability is measured by: – Increasing the carrying amount to reflect interest on the lease liability – Reducing the carrying amount to reflect the lease payments made – Remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments.

Useful lives	2020	2019	Incremental borrowing rates	2020	2019
Land and buildings	10 to 30 years	10 to 30 years	Lease term greater than 12 months but less than 18 months	7.85%	7.85%
Residential land and buildings	3 years	10 years			
Buildings and infrastructure	3 to 10 years	3 to 10 years	Lease term greater than 18 months	7.33% to 10.44%	10.42% to 10.44%
Machinery, plant and equipment	2 to 5 years	2 to 5 years			

c) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis, over the lease term, as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets comprise IT equipment, furniture, fittings and appliances, as well as tools and other small equipment used at the plants.

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

a) Incremental borrowing rates

In determining the incremental borrowing rates, management considers the term of the lease, the nature of the asset being leased and the funding strategy and principles applied by the group's treasury department.

b) Extensions and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

11.3 RIGHT-OF-USE ASSETS

At 31 December 2020	Note	Group				Total Rm
		Land and buildings Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	
Gross carrying amount						
At beginning of the year		1	5	497	22	525
Additions			1		23	24
Remeasurement adjustments ¹		1		9		10
Lease expiry and terminations			(1)		(18)	(19)
Lease modifications			(3)			(3)
Acquisition of subsidiaries	8.3	49		2		51
Reclassification to non-current assets held-for-sale	8.4				(25)	(25)
At end of the year		51	2	508	2	563
Accumulated depreciation						
At beginning of the year			(1)	(48)	(14)	(63)
Charges for the year	6.1.3	(1)	(1)	(58)	(11)	(71)
Lease expiry and terminations			1		18	19
Reclassification to non-current assets held-for-sale	8.4				5	5
At end of the year		(1)	(1)	(106)	(2)	(110)
Accumulated impairment						
Charges for the year	8.5				(19)	(19)
Reclassification to non-current assets held-for-sale	8.4				19	19
At end of the year						
Net carrying amount at end of the year		50	1	402		453

¹ Relates to remeasurements arising from changes in CPI, as well as changes to lease terms.

CHAPTER 11:

Leases continued

11.3 RIGHT-OF-USE ASSETS continued

		Group				
		Land and buildings Rm	Residential land and buildings Rm	Buildings and infra- structure Rm	Machinery, plant and equipment Rm	Total Rm
At 31 December 2019	Note					
Gross carrying amount						
Transfer from property, plant and equipment	10.1.3				16	16
Recognised on initial application of IFRS 16 <i>Leases</i>		1	4	33	38	76
Balance at 1 January 2019		1	4	33	54	92
Additions			1	457	2	460
Remeasurement adjustments ¹				7		7
Lease terminations					(18)	(18)
Transfer to property, plant and equipment	10.1.3				(16)	(16)
At end of the year		1	5	497	22	525
Accumulated depreciation						
Transfer from property, plant and equipment	10.1.3				(2)	(2)
Recognised on initial application of IFRS 16 <i>Leases</i>				(4)	(7)	(11)
Balance at 1 January 2019				(4)	(9)	(13)
Charges for the year			(1)	(44)	(14)	(59)
Lease terminations					7	7
Transfer to property, plant and equipment	10.1.3				2	2
At end of the year			(1)	(48)	(14)	(63)
Net carrying amount at end of the year		1	4	449	8	462

¹ Relates to remeasurements arising from changes in CPI, as well as changes to lease terms.

11.3 RIGHT-OF-USE ASSETS continued

	Company	
	Buildings and infra-structure Rm	Total Rm
At 31 December 2020		
Gross carrying amount		
At beginning of the year	483	483
Remeasurement adjustments ¹	7	7
At end of the year	490	490
Accumulated depreciation		
At beginning of the year	(44)	(44)
Charges for the year	(55)	(55)
At end of the year	(99)	(99)
Net carrying amount at end of the year	391	391

¹ Relates to remeasurements arising from changes in CPI.

	Company	
	Buildings and infra-structure Rm	Total Rm
At 31 December 2019		
Gross carrying amount		
Recognised on initial application of IFRS 16 <i>Leases</i>	21	21
Balance at 1 January 2019	21	21
Additions	457	457
Remeasurement adjustments ¹	5	5
At end of the year	483	483
Accumulated depreciation		
Recognised on initial application of IFRS 16 <i>Leases</i>	(3)	(3)
Balance at 1 January 2019	(3)	(3)
Charges for the year	(41)	(41)
At end of the year	(44)	(44)
Net carrying amount at end of the year	439	439

¹ Relates to remeasurements arising from changes in CPI.

CHAPTER 11:

Leases continued

11.4 LEASE LIABILITIES

At 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current		493	461	432	448
Current		29	27	23	17
Total lease liabilities		522	488	455	465
<i>Summary of lease liabilities by period of redemption:</i>					
Less than six months		14	15	11	8
Six to 12 months		15	12	12	9
Between one and two years		34	28	30	23
Between two and three years		43	34	39	30
Between three and four years		43	34	42	32
Between four and five years		53	43	53	42
Over five years		320	322	268	321
Total lease liabilities		522	488	455	465
Analysis of movement in lease liabilities					
At beginning of the year		488	2	465	
Recognised on initial application of IFRS 16 Leases			66		19
Balance at 1 January		488	68	465	19
New leases		24	458		456
Lease terminations			(12)		
Acquisition of subsidiaries		55			
Reclassification to non-current liabilities held-for-sale		(21)			
Lease remeasurement adjustments		10	7	7	5
Lease modification adjustments		(3)			
Exchange difference on translation		1			
Capital repayments		(32)	(33)	(17)	(15)
– Lease payments		(86)	(69)	(65)	(48)
– Interest charges	12.1.2	54	36	48	33
At end of the year		522	488	455	465

CHAPTER 12:

FUNDING

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CHAPTER 12:

Funding

12.1 DEBT

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

Borrowing costs, finance income and other financing expenses

Fees paid on the establishment of loan facilities are capitalised to the loan as transaction costs to the extent that it is directly related to the establishment of the loan facility. This fee is deferred until the draw down occurs upon which it is amortised over the loan term using the effective interest rate method. To the extent that it is not probable that some or all of the facility will be drawn down (ie revolving credit facility), the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

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

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

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Fees and commission

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

Loans and borrowings

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

12.1.2 NET FINANCING (COSTS)/INCOME

For the year ended 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Finance income		215	318	2 115	2 140
Interest income relating to:		217	312	2 115	2 140
– Financial assets at amortised cost		28	34		2
– Cash and cash equivalents		172	212	113	159
– Financial assets at FVPL		4	43		
– Non-financial assets		5	3		
– Finance leases		8	9		
– Indebtedness by subsidiaries	17.3.3			2 002	1 979
– Loans to JVs			11		
Reimbursement of interest income on environmental rehabilitation funds		(5)			
Commitment fee income		3	6		
Finance costs		(1 047)	(355)	(2 054)	(1 890)
Interest expense relating to:		(1 038)	(542)	(2 042)	(1 878)
– Interest-bearing borrowings		(936)	(476)	(645)	(448)
– Bank overdrafts		(41)	(27)	(41)	(27)
– Non-financial liabilities		(7)	(3)		(6)
– Indebtedness by subsidiaries	17.3.3			(1 308)	(1 364)
– Lease liabilities	11.4	(54)	(36)	(48)	(33)
Net fair value loss on interest rate swaps designated as cash flow hedges: transfer from OCI		(107)			
– Realised fair value loss		(153)			
– Unrealised fair value gain		46			
Unwinding of discount rate on rehabilitation costs	13.3	(305)	(414)	(3)	(3)
Recovery of unwinding of discount rate on rehabilitation costs		38	167		
Amortisation of transaction costs		(9)	(14)	(9)	(9)
Borrowing costs capitalised ¹	10.1.3	374	448		
Total net financing (costs)/income		(832)	(37)	61	250
¹ Borrowing costs capitalisation rate:		7.79%	9.98%		

12.1.3 INTEREST-BEARING BORROWINGS

	Group		Company	
At 31 December	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current¹	7 448	6 991	2 748	6 991
Loan facility ²	1 748	5 991	1 748	5 991
Project financing ³	4 700			
Bonds	1 000	1 000	1 000	1 000
Current⁴	6 163	50	6 053	50
Loan facility ²	6 050	46	6 050	46
Project financing ³	110			
Bonds	3	4	3	4
Total interest-bearing borrowings	13 611	7 041	8 801	7 041
<i>Summary by interest-bearing borrowings by period of redemption:</i>				
Less than six months	107	54	55	54
Six to 12 months	6 056	(4)	5 998	(4)
Between one and two years	1 379	2 744	1 230	2 744
Between two and three years	1 082	3 605	875	3 605
Between three and four years	915	(1)	643	(1)
Between four and five years	349	643		643
Over five years	3 723			
Total interest-bearing borrowings	13 611	7 041	8 801	7 041
¹ The non-current portion represents:	7 448	6 991	2 748	6 991
– Capital repayments	7 450	7 000	2 750	7 000
– Reduced by the amortisation of transaction costs	(2)	(9)	(2)	(9)
² Exxaro is in the process of refinancing its loan facility as the current facility is expected to mature in July 2021.				
³ Interest-bearing borrowings relating to the Cennergi group.				
⁴ The current portion represents:	6 163	50	6 053	50
– Capital repayments	6 109		6 000	
– Interest capitalised	60	59	59	59
– Reduced by the amortisation of transaction costs	(6)	(9)	(6)	(9)
	Group		Company	
At 31 December	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Overdraft				
Bank overdraft	17	976	17	976

The bank overdraft is repayable on demand. Interest is based on current South African money market rates.

CHAPTER 12:

Funding continued

12.1 DEBT continued

12.1.4 SALIENT TERMS AND CONDITIONS OF INTEREST-BEARING BORROWINGS

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

	Year	Loan facility		
		Bullet term loan	Amortised term loan	Revolving ¹ facility
Aggregate nominal amount (Rm)	2020	3 250	1 750	4 750
	2019	3 250	1 750	2 750
Issue date or draw down date		29 July 2016	29 July 2016	29 July 2016
Maturity date		29 July 2021	29 July 2023	29 July 2021
Capital payments		The total outstanding amount is payable on final maturity date	Four consecutive semi-annual instalments commencing on the date occurring 18 months prior to the final maturity date	The total outstanding amount is payable on final maturity date
Duration (months)		60	84	60
Secured or unsecured		Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	2020	nil	nil	2 000
	2019	nil	1 750	nil
Interest				
Interest payment basis		Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly
Interest rate		3-month JIBAR plus a margin of 325 basis points (3.25%)	3-month JIBAR plus a margin of 360 basis points (3.60%)	1-month JIBAR plus a margin of 325 basis points (3.25%)
Effective interest rates for the transaction costs	2020	0.17%	N/A	N/A
	2019	0.17%	N/A	N/A

¹ An additional R2 billion accordion facility was made available from 1 July 2020.

There were no defaults or breaches in terms of the loan facility during the reporting periods.

The following financial covenants in terms of the loan facility, must be complied with:

- Ratio of consolidated EBITDA (excluding non-cash BEE credential costs) to net interest paid of the group for any measurement period shall not be less than 4:1
- Ratio of consolidated net debt¹ to equity of the group for any measurement period shall be less than 0.8:1
- Ratio of consolidated net debt¹ to consolidated EBITDA (excluding non-cash BEE credential costs, including dividends received from equity-accounted investments) of the group for any measurement period shall be less than 3:1.

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

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

12.1 DEBT continued

12.1.4 SALIENT TERMS AND CONDITIONS OF INTEREST-BEARING BORROWINGS continued

	Year	Project financing ¹		
		Tsitsikamma SPV loan facility	Amakhala SPV loan facilities floating rate ²	Amakhala SPV loan facilities fixed rate ³
Remaining nominal amount outstanding (Rm)	2020	1 918	2 734	158
Debt assumed date		1 April 2020	1 April 2020	1 April 2020
Maturity date		31 December 2030	30 June 2031	30 June 2031
Capital payments		Bi-annual instalments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount	Bi-annual instalments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount	Bi-annual instalments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount
Duration (months)		129	135	135
Secured or unsecured ⁴		Secured	Secured	Secured
Undrawn portion (Rm)	2020	122	273	nil
Interest				
Interest payment basis		Floating rate ⁵	Floating rate ⁵	Fixed rate
Interest payment period		Bi-annual	Bi-annual	Bi-annual
Interest rate		3-month JIBAR plus a margin of 264 basis points (2.64%)	3-month JIBAR plus an all-in margin ranging from 359 basis points to 681 basis points (3.59% to 6.81%)	An all-in margin ranging from 371 basis points to 681 basis points (3.71% to 6.81%) plus: (1) 8% until June 2021 (2) 9.46% from July 2021 to maturity
Effective interest rates for the transaction costs	2020	N/A	N/A	N/A

¹ Debt assumed from Cennergi business combination as of 1 April 2020. Refer note 8.3.

² Comprising the following loan facilities at the specified all in margin:

– Senior A and C	+3.59
– Senior IFC	+3.71
– Subordinate A and C	+6.69
– Subordinate IFC	+6.81

These margins are subject to variation.

³ Comprising the following loan facilities at the specified all in margin:

– Senior B	+3.71
– Subordinate B	+6.81

⁴ Security held over the assets and share capital of Tsitsikamma SPV and Amakhala SPV respectively.

⁵ Interest payments are hedged from a floating rate to a fixed rate. Refer note 16.3.3.2.4.2.

CHAPTER 12:

Funding continued

12.1 DEBT continued

12.1.4 SALIENT TERMS AND CONDITIONS OF INTEREST-BEARING BORROWINGS continued

There were no defaults or breaches in terms of the project financing during the reporting period, except for a technical non-compliance which was rectified before the end of the year, as agreed with the financial institutions.

The following financial covenants in terms of the project financing must be complied with by the respective project companies in the group:

Tsitsikamma SPV loan facility

- Historic debt service cover ratio¹ for the calculation period ending on a calculation date is not less than 1.10:1
- Minimum annual forecast debt service cover ratio for the next calculation period is not less than 1.10:1
- Loan life cover ratio² is not less than 1.15:1
- Project life cover ratio³ is not less than 1.25:1

¹ The ratio of A to B, where A is the aggregate cash flow available for debt service (CFADS) less taxes and B is the aggregate of the finance costs, in each case for the relevant calculation period.

² The ratio of A to B, where A is the net present value of forecast CFADS from such calculation date to (and including) the final scheduled repayment date, discounted at the discount rate (as produced by the financial model) and B is the aggregate of the facility outstanding on such calculation date.

³ The ratio of A to B, where A is the net present value of forecast CFADS from such calculation date to the end of the tenor of the PPA discounted at the discount rate and B is the aggregate of facility outstanding as at such calculation date.

Amakhala SPV loan facilities

- Projected senior debt service cover ratio¹ for the immediately following measurement period is not less than 1.10:1
- Historic senior debt service cover ratio¹ for the immediately preceding measurement period is not less than 1.10:1
- Senior loan life cover ratio², as at each measurement date, is not less than 1.15:1
- Senior project life cover ratio², as at each measurement date, is not less than 1.30:1
- Projected total debt service cover ratio³ for the immediately following measurement period is not less than 1.05:1
- Historic total debt service cover ratio³ for the immediately preceding measurement period is not less than 1.05:1
- Total loan life cover ratio⁴, as at each measurement date, is not less than 1.10:1
- Total project life cover ratio⁴, as at each measurement date, is not less than 1.20:1.

¹ The ratio of CFADS to senior debt service for that period.

² The ratio of the applicable total present value amount, as at that measurement date to the sum of (i) the senior facility outstanding and (ii) all the IFC facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date;

³ The ratio of CFADS to total senior debt service for that period.

⁴ The ratio of the applicable total present value amount, as at that measurement date to total facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.

	Year	DMTN Programme (bonds)	
		R357 million senior unsecured floating rate note	R643 million senior unsecured floating rate note
Aggregate nominal amount (Rm)	2020	357	643
	2019	357	643
Issue date or draw down date		13 June 2019	13 June 2019
Maturity date		13 June 2022	13 June 2024
Capital payments		No fixed or determined payments, the total outstanding amount is payable on final maturity date	No fixed or determined payments, the total outstanding amount is payable on final maturity date
Duration (months)		36	60
Secured or unsecured		Unsecured	Unsecured
Interest			
Interest payment basis		Floating rate	Floating rate
Interest payment period		Three months	Three months
Interest rate		3-month JIBAR plus a margin of 165 basis points (1.65%)	3-month JIBAR plus a margin of 189 basis points (1.89%)
Effective interest rates for the transaction costs	2020	N/A	N/A
	2019	N/A	N/A

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

12.1 DEBT continued

12.1.5 NET DEBT

	Group	
	2020 Rm	2019 Rm
Net debt is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(7 954)	(7 452)
Interest-bearing borrowings	(7 448)	(6 991)
Lease liabilities	(493)	(461)
Lease liabilities classified as non-current liabilities held-for-sale	(13)	
Current interest-bearing debt	(6 200)	(77)
Interest-bearing borrowings	(6 163)	(50)
Lease liabilities	(29)	(27)
Lease liabilities classified as non-current liabilities held-for-sale	(8)	
Net cash and cash equivalents	3 187	1 719
Cash and cash equivalents	3 196	2 695
Cash and cash equivalents classified as non-current assets held-for-sale	8	
Overdraft	(17)	(976)
Total net debt	(10 967)	(5 810)

Analysis of movement in net debt:

	Group			
	Liabilities arising from financing activities			
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2018	549	(3 843)	(573)	(3 867)
Cash flows	1 171	(3 148)	553	(1 424)
Operating activities ¹	3 483			3 483
Investing activities	2 974			2 974
Financing activities ¹	(5 286)	(3 148)	553	(7 881)
– Interest-bearing borrowings raised	4 250	(3 750)	(500)	
– Interest-bearing borrowings repaid	(1 622)	602	1 020	
– Lease liabilities paid	(33)		33	
– Dividends paid to owners of the parent ¹	(5 812)			(5 812)
– Shares acquired in the market to settle share-based payments	(678)			(678)
– Dividend paid to BEE Parties	(1 391)			(1 391)
Non-cash movements	(1)	(461)	(57)	(519)
Amortisation of transaction costs			(14)	(14)
Preference dividend accrued		13		13
Interest accrued			2	2
Lease remeasurements		(7)		(7)
New leases		(524)		(524)
Lease liabilities cancelled			12	12
Transfers between non-current and current liabilities		57	(57)	
Translation difference on movement in cash and cash equivalents	(1)			(1)
Net debt at 31 December 2019	1 719	(7 452)	(77)	(5 810)

¹ Dividends paid to owners of the parent have been re-presented as a financing activity (previously presented as an operating activity).

CHAPTER 12:

Funding continued

12.1 DEBT continued

12.1.5 NET DEBT continued

Analysis of movement in net debt: continued

	Group			
	Liabilities arising from financing activities			
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest bearing debt Rm	Current interest bearing debt Rm	Total Rm
Net debt at 31 December 2019	1 719	(7 452)	(77)	(5 810)
Cash flows	1 468	(1 750)	120	(162)
Operating activities	5 493			5 493
Investing activities	(1 556)			(1 556)
Financing activities	(2 469)	(1 750)	120	(4 099)
– Interest-bearing borrowings raised	1 750	(1 750)		
– Interest-bearing borrowings repaid	(88)		88	
– NCI option exercised	115			115
– Distributions to NCI option holders	(1)			(1)
– Loan from NCI	69			69
– Lease liabilities paid	(32)		32	
– Dividends paid to owners of the parent	(3 034)			(3 034)
– Shares acquired in the market to settle share-based payments	(270)			(270)
– Dividend paid to BEE Parties	(978)			(978)
Non-cash movements		1 248	(6 243)	(4 995)
Amortisation of transaction costs			(9)	(9)
Interest accrued			114	114
Lease remeasurements and modifications		(7)		(7)
New leases		(24)		(24)
Acquisition of subsidiaries		(4 847)	(222)	(5 069)
– Leases		(48)	(7)	(55)
– Project financing		(4 799)	(215)	(5 014)
Transfers between non-current and current liabilities		6 126	(6 126)	
Net debt at 31 December 2020	3 187	(7 954)	(6 200)	(10 967)

	Company	
	2020 Rm	2019 Rm
Net debt is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(3 180)	(7 439)
Interest-bearing borrowings	(2 748)	(6 991)
Lease liabilities	(432)	(448)
Current interest-bearing debt	(6 076)	(67)
Interest-bearing borrowings	(6 053)	(50)
Lease liabilities	(23)	(17)
Net cash and cash equivalents	1 847	673
Cash and cash equivalents	1 864	1 649
Overdraft	(17)	(976)
Total net debt	(7 409)	(6 833)

12.1 DEBT continued

12.1.5 NET DEBT continued

Analysis of movement in net debt: continued

	Company			
	Liabilities arising from financing activities			
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest bearing debt Rm	Current interest bearing debt Rm	Total Rm
Net debt at 31 December 2018	(370)	(3 233)	(572)	(4 175)
Cash flows	1 043	(3 750)	535	(2 172)
Operating activities ¹	680			680
Investing activities	5 894			5 894
Financing activities	(5 531)	(3 750)	535	(8 746)
– Interest-bearing borrowings raised	4 250	(3 750)	(500)	
– Interest-bearing borrowings repaid	(1 020)		1 020	
– Lease liabilities paid	(15)		15	
– Dividends paid ¹	(8 308)			(8 308)
– Shares acquired in the market to settle share-based payments	(438)			(438)
Non-cash movements		(456)	(30)	(486)
Amortisation of transaction costs			(9)	(9)
Interest accrued			3	3
Lease remeasurements		(5)		(5)
New leases		(475)		(475)
Transfers between non-current and current liabilities		24	(24)	
Net debt at 31 December 2019	673	(7 439)	(67)	(6 833)
Cash flows	1 174	(1 750)	17	(559)
Operating activities	1 194			1 194
Investing activities	2 758			2 758
Financing activities	(2 778)	(1 750)	17	(4 511)
– Interest-bearing borrowings raised	1 750	(1 750)		
– Interest-bearing borrowings repaid				
– Lease liabilities paid	(17)		17	
– Dividends paid	(4 337)			(4 337)
– Shares acquired in the market to settle share-based payments	(174)			(174)
Non-cash movements		6 009	(6 026)	(17)
Amortisation of transaction costs			(9)	(9)
Lease remeasurements		(7)		(7)
Transfers between non-current and current liabilities		6 017	(6 017)	
Other		(1)		(1)
Net debt at 31 December 2020	1 847	(3 180)	(6 076)	(7 409)

¹ Dividends paid have been re-presented as a financing activity (previously presented as an operating activity).

CHAPTER 12:

Funding continued

12.1 DEBT continued

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

For the year ended 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Interest received		192	289	2 115	2 140
Finance income	12.1.2	215	318	2 115	2 140
Non-cash flow items					
– Interest income accrued not yet received		(20)	(20)		
– Reimbursement of interest income on environmental rehabilitation funds		5			
– Finance lease interest income adjustment		(8)	(9)		
Interest paid		(1 305)	(558)	(2 042)	(1 881)
Finance costs	12.1.2	(1 047)	(355)	(2 054)	(1 890)
Non-cash flow items					
– Unwinding of discount rate on rehabilitation costs	13.3	305	414	3	3
– Recovery of unwinding of discount rate on rehabilitation costs		(38)	(167)		
– Amortisation of transaction costs		9	14	9	9
– Borrowing costs capitalised		(374)	(448)		
– Unrealised fair value gain on interest rate swaps designated as cash flow hedges: transfer from OCI		(46)			
– Finance costs capitalised to loans less finance costs paid and interest accrued not yet paid		(114)	(16)		(3)
Net financing costs (paid)/received		(1 113)	(269)	73	259

12.1.7 FINANCIAL LIABILITIES COMPOSITION

At 31 December	Note	Group		Company	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current					
Derivative financial liabilities designated as hedging instruments		713			
– Hedging derivatives: interest rate swaps ¹		713			
Financial liabilities at amortised cost		69			
– Loan from NCI ²		69			
Total non-current financial liabilities	16.3	782			
Current					
Financial liabilities at FVPL		49	191		191
– Contingent consideration ³			191		191
– Derivative financial liabilities ⁴		49			
Financial liabilities at amortised cost			307	16 071	14 207
– Deferred consideration payable ⁵			307		307
– Non-interest-bearing loans from subsidiaries ⁶	17.5			8 672	8 452
– Treasury facilities with subsidiaries at amortised cost ⁷	17.5			7 399	5 448
Total current financial liabilities		49	498	16 071	14 398
Total financial liabilities		831	498	16 071	14 398

¹ Refer note 16.3.3.2.4.2.

² Loan payable to a BEE minority shareholder of Tsitsikamma SPV. The loan bears interest at a fixed rate of 16.3%, is unsecured and has no fixed terms of repayment, but is subject to cash being available and covenants approvals from the project financiers.

³ Relates to the ECC contingent consideration which was fully settled in January 2020.

⁴ Relates to commodity FECs.

⁵ Relates to deferred consideration payable in relation to the acquisition of the investment in Insect Technology.

⁶ Loans granted by subsidiary companies which are interest-free, unsecured and repayable on demand.

⁷ Treasury facilities with subsidiary companies have no repayments terms and are repayable on demand. Interest is charged at money market rates.

12.1 DEBT continued

12.1.8 OTHER LIABILITIES COMPOSITION

At 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current				
Termination benefits ¹		144		51
Income received in advance	27	23		1
Total non-current other liabilities	27	167		52
Current				
Termination benefits ¹	205	305	63	63
Leave pay	225	203	31	24
Bonuses	271	241	79	57
VAT	31	21	18	20
Royalties		9		
Carbon tax	5			
Current tax payables	34	50		10
Other	90	97	16	19
Total current other liabilities	861	926	207	193
Total other liabilities	888	1 093	207	245

¹ During 2019, Exxaro announced the implementation of TVPs. Under this policy, employees that qualified would receive a severance package in exchange for termination of employment.

12.2 EQUITY

12.2.1 ACCOUNTING POLICY RELATING TO SHARE CAPITAL

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

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

12.2.2 SHARE CAPITAL

At 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Authorised				
500 000 000 (2019: 500 000 000) ordinary shares of R0.01 each ¹	5	5	5	5
Issued and fully paid				
358 706 754 (2019: 358 706 754) ordinary shares of R0.01 each ¹	4	4	4	4
Share premium	11 261	11 261	11 261	11 261
Treasury shares held by Eyesizwe	(10 242)	(10 242)		
Treasury shares held by Kumba Resources Management Share Trust	(2)	(2)		
Total share capital	1 021	1 021	11 265	11 265

¹ The authorised unissued ordinary shares have remained unchanged at 141 293 246 shares.

CHAPTER 12:

Funding continued

12.2 EQUITY continued

12.2.2 SHARE CAPITAL continued

	Group	
	Number of shares	
	2020	2019
Treasury shares in issue		
Held by Kumba Resources Management Share Trust	158 218	158 218
Held by Eyesizwe	107 612 026	107 612 026
Treasury shares in issue at end of the year	107 770 244	107 770 244

Exxaro's issued ordinary shares, net of treasury shares remained unchanged at 250 936 510.

Refer to the notice of the AGM in the summarised group annual financial statements for the year ended 31 December 2020 and notice of the AGM for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2.3 SHARE REPURCHASES

Exxaro had no share repurchase transactions during 2020 nor 2019.

CHAPTER 13:

PROVISIONS AND CONTINGENCIES

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CHAPTER 13:

Provisions and contingencies

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS AND CONTINGENCIES

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

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

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

Environmental rehabilitation

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

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

On 21 September 2018, the Minister of Environmental Affairs for South Africa amended the FPR:2015 by extending the transitional period from 19 February 2019 to 19 February 2020. All holders of mining or exploration rights or permits therefore would have had to comply with the financial provisioning requirements in terms of the MPRDA until 20 February 2020 when the FPR:2015 would have come into effect. However, the FPR:2015 has been finalised by the DEA and the transitional period has been extended to June 2021.

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

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

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

Other site closure costs

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

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

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY *continued*

Key assumptions

	At 31 December	
	2020 %	2019 %
PPI	4.5 to 5.0	5.0
Discount rate		
– Period of discounting: 1 to 5 years	7.23 to 7.70	7.37 to 7.58
– Period of discounting: 6 to 15 years	10.23 to 10.31	9.40 to 9.81
– Period of discounting: 16 to 30 years	11.43 to 11.62	9.91 to 10.50

Sensitivities

Sensitivities calculated on changes in the discount rate, based on unscheduled closure cost on 31 December of each year, are as follows:

	At 31 December	
	2020 Rm	2019 Rm
Increase/(decrease) in net operating profit:		
Resulting from a 1% increase in discount rate	231	273
Resulting from a 1% decrease in discount rate	(253)	(304)
Increase/(decrease) in environmental rehabilitation provisions:		
Resulting from a 1% increase in discount rate	(317)	(435)
Resulting from a 1% decrease in discount rate	352	488

13.3 PROVISIONS

		Group					
		Environmental rehabilitation			Other site closure costs Rm	Other ¹ Rm	Total Rm
Note	Restoration Rm	Decommis- sioning Rm	Residual impact Rm				
At 31 December 2020							
At beginning of the year		2 432	544	1 345	83		4 404
(Reversal)/charge to operating expenses	6.1.3	(60)	(85)	(986)	14	17	(1 100)
– Additional provisions		316	14	44	16	17	407
– Unused amounts reversed ²		(376)	(99)	(1 030)	(2)		(1 507)
Unwinding of discount rate on rehabilitation costs	12.1.2	169	44	92			305
Provisions capitalised to property, plant and equipment	10.1.3		(88)				(88)
Utilised during the year		(18)		(3)	(16)	(3)	(40)
Reclassification to non-current liabilities held-for-sale		(467)	(52)	576	(2)		55
Acquisition of subsidiaries	8.3	6	29	4			39
Transfer of operation	8.6	(642)	(97)	(705)			(1 444)
Total provisions at end of the year		1 420	295	323	79	14	2 131
Non-current		1 284	295	300	60	7	1 946
Current		136		23	19	7	185

¹ Relates to a constructive obligation created with certain BEE minorities within the Cennergi group to receive distributions in proportion to their percentage interest prior to their in-substance share options being exercised.

² The residual impact includes an adjustment to the EMJV environmental rehabilitation provision, amounting to R818 million.

CHAPTER 13:

Provisions and contingencies continued

13.3 PROVISIONS continued

	Note	Group				Total Rm
		Environmental rehabilitation			Other site closure costs Rm	
		Restoration Rm	Decommis- sioning Rm	Residual impact Rm		
At 31 December 2019						
At beginning of the year		2 516	451	975	80	4 022
(Charge)/reversal to operating expenses	6.1.3	(244)	52	301	18	127
– Additional provisions		374	56	403	19	852
– Unused amounts reversed		(618)	(4)	(102)	(1)	(725)
Unwinding of discount rate on rehabilitation costs	12.1.2	228	47	139		414
Provisions capitalised to property, plant and equipment	10.1.3		(4)			(4)
Utilised during the year		(58)			(15)	(73)
Reclassification to non-current liabilities held-for-sale		(4)		(69)		(73)
Loss of control of subsidiary	8.6	(6)	(2)	(1)		(9)
Total provisions at end of the year		2 432	544	1 345	83	4 404
Non-current		2 366	544	1 334	61	4 305
Current		66		11	22	99

	Note	Company			Total Rm
		Environmental rehabilitation			
		Restoration Rm	Other site closure costs Rm		
At 31 December 2020					
At beginning of the year		37			37
Reversal to operating expenses	6.1.3	(3)			(3)
– Unused amounts reversed		(3)			(3)
Unwinding of discount rate on rehabilitation costs	12.1.2	3			3
Utilised during the year		37			37
Total provisions at end of the year		37			37
Non-current		37			37
At 31 December 2019					
At beginning of the year		36	2		38
Reversal to operating expenses	6.1.3	(2)	(1)		(3)
– Unused amounts reversed		(2)	(1)		(3)
Unwinding of discount rate on rehabilitation costs	12.1.2	3			3
Utilised during the year			(1)		(1)
Total provisions at end of the year		37			37
Non-current		37			37

13.3 PROVISIONS continued

Funding

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

At 31 December	Note	Group	
		2020 Rm	2019 Rm
Estimated unscheduled restoration and decommissioning closure costs		(6 058)	(7 065)
Estimated unscheduled post-closure residual impact costs		(952)	(2 475)
Total environmental provisions		(2 038)	(4 321)
Present value of unscheduled restoration and decommissioning costs discounted over LoM		(1 715)	(2 976)
Present value of unscheduled post-closure residual impact costs discounted over LoM and five years of rehabilitation		(323)	(1 345)
Environmental rehabilitation funds in trust ¹	10.3.2	1 337	2 039
Financial guarantees ceded to the DMRE ²	13.4	3 696	3 994
Current funding excess		2 995	1 712

¹ 2020: Excludes an amount of R296 million which is being held in trust on behalf of Arnot OpCo until they have established an environmental rehabilitation trust fund of their own that's approved by the DMRE.

² 2020: Excludes an amount of R543 million which relates to the operational guarantees for the ECC operation that was reclassified to non-current assets as held-for-sale.

13.4 CONTINGENT LIABILITIES

At 31 December	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Pending litigation and other claims ¹		1 103		
Operational guarantees ²	4 531	4 506	233	452
– Financial guarantees ceded to the DMRE	4 239	3 994		
– Other financial guarantees ³	292	512	233	452
Total contingent liabilities	4 531	5 609	233	452

¹ Deltatex Holdings Limited's leave to appeal to the Constitutional Court was dismissed with costs.

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

³ Includes a guarantee to Khopoli, amounting to R85 million, which lapsed on 1 January 2021.

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

Share of equity-accounted investments' contingent liabilities:

At 31 December	Group	
	2020 Rm	2019 Rm
Share of contingent liabilities of equity-accounted investments ¹	1 535	1 060

¹ Mainly includes operational guarantees issued by financial institutions relating to environmental rehabilitation and closure costs as well as tax disputes with SARS.

CHAPTER 14:

PEOPLE

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14.1 ACCOUNTING POLICIES RELATING TO EMPLOYEE BENEFITS

14.1.1 RETIREMENT EMPLOYMENT BENEFITS

Defined contribution plans

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

Guarantees are not provided in respect of returns in the defined contribution funds.

Defined benefit obligations

A retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The liability is determined using the projected unit credit method. Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in OCI. Remeasurements recognised in OCI will not be reclassified to profit or loss. Net interest expense and other expenses related to the retirement medical contribution obligation are recognised in profit or loss.

14.1.2 SHORT AND LONG-TERM BENEFITS

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits is recognised and provided for at financial year end, based on current total cost to company.

14.1.3 TERMINATION BENEFITS

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised when a commitment has been demonstrated 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 which has been accepted by an employee. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

14.1.4 EQUITY COMPENSATION BENEFITS

Senior management, including executive directors and eligible employees, participate in the LTIP and DBP incentive schemes.

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

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

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

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

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

For share-based payments with employees, estimates are made in determining the fair value of equity instruments granted. Assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life and TSR vesting condition (refer note 14.3.4).

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

For defined benefit schemes, management is required to make estimates and assumptions about the discount rate, future remuneration changes, employee attrition rates, administration costs, changes in benefits, medical cost trends, inflation rates, exchange rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries.

CHAPTER 14:

People

14.3 EMPLOYEE BENEFITS

14.3.1 RETIREMENT FUNDS

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

At the end of the financial year, the main defined contribution retirement funds were:

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

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

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

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

Defined contribution funds

Employer contributions to each fund were as follows:

	Group	
	2020 Rm	2019 Rm
Exxaro Pension and Provident Fund	157	131
Iscor Employees' Umbrella Provident Fund	12	66
Mine Workers Provident Fund	52	17
Sentinel Retirement Fund	64	63
Other funds	12	12
Total employer contributions	297	289
	Company	
	2020 Rm	2019 Rm
Exxaro Pension and Provident Fund	35	34
Iscor Employees' Umbrella Provident Fund		1
Sentinel Retirement Fund	3	3
Total employer contributions	38	38

14.3.2 MEDICAL AID

Contributions are made to defined contribution medical aid schemes for the benefit of permanent employees and their dependents who choose to belong to one of a number of employer accredited schemes. The contributions charged to profit or loss amount to R157 million (2019: R142 million).

14.3.3 SHORT-TERM INCENTIVES

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

- Individual performance reward
- A two-tier performance incentive, namely:
 - On-target business unit incentive (first tier)
 - Commodity business and group improvement incentive (second tier).

Individual performance reward

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy across junior to senior management levels of employment.

The two-tier performance incentive

First tier

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

Second tier

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

14.3 EMPLOYEE BENEFITS *continued*

14.3.4 EQUITY COMPENSATION BENEFITS

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

LTIP

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

Participants to the 2020 and 2019 LTIP grant obtained the right (provided performance conditions are met) to receive a number of Exxaro shares. The vesting of the award is based on:

2020

- 33.33%: ROCE of the group and is calculated for a minimum and maximum performance condition
- 33.33%: The TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34%: Achievement of ESG targets.

2019

- 33.33%: HEPS of the group and is calculated for a minimum and maximum performance condition
- 33.33%: The TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34%: Achievement of ESG targets.

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

DBP

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

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

Details of the schemes:

		LTIP		DBP	
		2020 '000	2019 '000	2020 '000	2019 '000
Number of instruments					
Outstanding at beginning of the year		8 302	10 012	213	251
Issued during the year ¹		3 900	2 707	75	67
Exercised during the year		(2 651)	(3 960)	(70)	(105)
Lapsed/cancelled during the year		(439)	(457)	(3)	
Outstanding at end of the year		9 112	8 302	215	213
Terms of outstanding instruments at end of the year	Expiry date				
	2020		2 850		71
	2021	3 009	3 123	84	85
	2022	2 276	2 329	56	57
	2023	3 827		75	
		9 112	8 302	215	213
Total value of shares outstanding (Rm)		1 269	1 090	30	28

¹ Included in 2019 is a 6% grant of top-up instruments relating to the 2017, 2018 and 2019 schemes. The top-up grants were issued with the same terms and performance conditions as the respective original grants.

CHAPTER 14:

People continued

14.3 EMPLOYEE BENEFITS continued

14.3.4 EQUITY COMPENSATION BENEFITS continued

Fair value of equity compensation instruments

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

During the current year, three new DBPs and two new LTIPs have been granted.

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

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

	2020	2019
Weighted average fair value for grants during the year (R):		
LTIP	68.71	120.18
DBP	74.89	132.54
Inputs to the valuation models for:		
LTIP		
– Share price at valuation date (R)	100.30 to 136.97	167.40
– Weighted average option life (years)	3	3
– Dividend yield (%)	4.69 to 7.36	6.76
– Risk-free interest rate (%)	4.18 to 5.73	6.76
DBP		
– Share price at valuation date (R)	98.99 to 137.18	159.84 to 164.35
– Weighted average option life (years)	3	3
– Dividend yield (%)	4.68 to 7.46	6.64 to 7.28
– Risk-free interest rate (%)	4.21 to 5.65	7.17 to 7.19

14.4 RETIREMENT EMPLOYEE OBLIGATIONS

Following the merger with Eyesizwe Proprietary Limited in November 2006 and the successful creation of Exxaro, the retirement healthcare benefit which was provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme was honoured. During 2017, Exxaro Coal Mpumalanga Proprietary Limited withdrew from the Witbank Coal Medical Aid Scheme and the members were moved to the Discovery Health Medical Scheme and Bonitas Medical Aid Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe Proprietary Limited or Ingwe Coal and comprises a subsidy of contributions.

Contribution to the retirement healthcare benefit of employees for the year ended 31 December 2020 amounts to R8 million (2019: R8 million).

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

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

At 31 December	Note	Group	
		2020 Rm	2019 Rm
At beginning of the year		181	193
Charge to operating expenses		4	14
– Current and past service costs		(5)	2
– Interest expense		18	21
– Expected employer benefit payments		(9)	(9)
Remeasurements ¹		(30)	(26)
Transfer of operation	8.6	(7)	
Reclassification to non-current liabilities held-for-sale	8.4	(1)	
At end of the year		147	181
¹ Tax on remeasurements amounts to R9 million (2019: R7 million).			
The defined benefit medical obligation is composed by country as follows:			
– RSA		147	181
Present value of unfunded obligations		147	181
The actuarial assumptions were as follows:			
Discount rate (%)		13.4	10.6
Healthcare cost inflation (%)		9.8	8.0
Expected retirement age (years)		60	60

CHAPTER 14:

People

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 REMUNERATION POLICY

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

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

14.5.2 SUMMARY OF REMUNERATION

	NCOE/ guaranteed remuneration plus circumstantial			Short term incentives	Long term incentives
	Basic salary R	Benefits and allowances ¹ R	Retirement fund contributions R	Performance bonuses ² R	Gains on management share schemes R
2020					
Executive directors					
MDM Mgojo	6 627 730	266 787	639 299	3 415 080	13 751 712
PA Koppeschaar	4 988 727	262 488	467 902	2 306 522	5 896 443
Total executive directors' remuneration	11 616 457	529 275	1 107 201	5 721 602	19 648 155
Prescribed officers					
V Balgobind	3 027 366	118 379	274 075	1 054 332	2 991 185
AS De Angelis ⁶	2 675 154	38 529	201 417	945 100	
AW Diedericks	3 572 940	140 460	344 328	1 352 442	4 128 484
JG Meyer	3 523 117	325 578	356 873	1 401 716	4 129 899
MI Mthenjane	3 570 108	91 481	302 587	1 321 260	3 521 955
Dr N Tsengwa	4 252 808	174 755	360 888	1 931 182	5 154 544
SE van Loggerenberg ⁷	2 045 234	78 345	139 721	595 928	1 474 560
M Vetu	3 557 153	9 132	343 687	1 303 196	3 431 710
Total prescribed officers' remuneration	26 223 880	976 659	2 323 576	9 905 156	24 832 337
2020					
Non-executive directors					
GJ Fraser-Moleketi	1 162 496		1 162 496		
L Mbatha	582 337		582 337		
VZ Mntambo	728 933		728 933		
MJ Moffett	933 861		933 861		
LI Mophatlane	819 174		819 174		
EJ Myburgh	1 229 321		1 229 321		
V Nkonyeni	959 545	2 059	961 604		
J van Rooyen (chairman)	2 128 588		2 128 588		
A Sing ⁸	294 136		294 136		
PCCH Snyders	879 159	1 067	880 226		
Total non-executive directors' remuneration	9 717 550	3 126	9 720 676		

¹ Includes leave days purchased as well as travel and acting allowances.

² All incentive schemes are performance related and were approved by the board of directors.

³ Includes long-service awards, zero-fatality and LTIFR rewards.

⁴ Includes leave encashments.

⁵ Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.

⁶ Appointed on 1 April 2020.

⁷ Resigned on 18 February 2021.

⁸ Retired on 28 May 2020.

Retirement amounts relate to defined contribution retirement funds.

Other							
Recognition ³ R	Other ⁴ R	Total remuneration R	Exit payment accrual (TVP) R	Share-based payment expense ⁵ R	Gains on management share schemes R	Total remuneration expense R	
2 500	139 086	24 842 194		13 313 854	(13 751 712)	24 404 336	
2 500		13 924 582		6 074 786	(5 896 443)	14 102 925	
5 000	139 086	38 766 776		19 388 640	(19 648 155)	38 507 261	
2 500	11 838	7 479 675		2 695 734	(2 991 185)	7 184 224	
2 500		3 862 700		1 679 588		5 542 288	
2 500		9 541 154	390 197	3 401 050	(4 128 484)	9 203 917	
2 500		9 739 683		3 152 860	(4 129 899)	8 762 644	
2 500		8 809 891		2 962 797	(3 521 955)	8 250 733	
2 500		11 876 677		4 637 600	(5 154 544)	11 359 733	
2 500		4 336 288		1 337 987	(1 474 560)	4 199 715	
2 500		8 647 378		3 023 446	(3 431 710)	8 239 114	
20 000	11 838	64 293 446	390 197	22 891 062	(24 832 337)	62 742 368	

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14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.2 SUMMARY OF REMUNERATION continued

	NCOE/guaranteed remuneration plus circumstantial			Short-term incentives	Long-term incentives
	Basic salary R	Benefits and allowances ¹ R	Retirement fund contributions R	Performance bonuses ² R	Gains on management share schemes R
2019					
Executive directors					
MDM Mgojo	6 486 212	280 522	643 867	2 741 922	34 428 706
PA Koppeschaar	4 854 024	309 793	460 515	1 799 786	12 659 608
Total executive directors' remuneration	11 340 236	590 315	1 104 382	4 541 708	47 088 314
Prescribed officers					
V Balgobind	2 971 413	116 443	276 033	840 972	10 587 466
AW Diedericks	3 518 255	138 630	347 959	1 001 211	9 725 567
JG Meyer	3 458 218	323 357	359 824	1 035 350	8 289 737
MI Mthenjane	3 520 464	90 392	306 127	979 246	7 938 277
Dr N Tsengwa	3 839 646	196 403	337 795	1 399 630	11 406 949
SE van Loggerenberg	2 025 991	77 696	140 844	448 906	1 430 620
M Vet	3 478 545	38 138	346 741	965 856	7 971 587
Total prescribed officers' remuneration	22 812 532	981 059	2 115 323	6 671 171	57 350 203
2019					
Non-executive directors					
GJ Fraser-Moleketi	938 235	5 478	943 713		
MW Hlahla ⁶	600 413		600 413		
D Mashile-Nkosi ⁷	414 415		414 415		
L Mbatha	702 899		702 899		
VZ Mntambo	638 068		638 068		
MJ Moffett	923 063		923 063		
LI Mophatlane	1 045 616	2 913	1 048 529		
EJ Myburgh	1 168 912		1 168 912		
V Nkonyeni	956 784	21 879	978 663		
J van Rooyen (chairman)	2 016 072		2 016 072		
A Sing	787 867		787 867		
PCCH Snyders	1 041 060	55 472	1 096 532		
Total non-executive directors' remuneration	11 233 404	85 742	11 319 146		

¹ Includes leave days purchased as well as travel and acting allowances.

² All incentive schemes are performance related and were approved by the board of directors.

³ Includes long-service awards, zero-fatality and LTIFR rewards.

⁴ Includes leave encashments.

⁵ Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.

⁶ Resigned on 31 December 2019.

⁷ Resigned on 11 October 2019.

Retirement amounts relate to defined contribution retirement funds.

Other						
Recognition ³ R	Other ⁴ R	Total remuneration R	Exit payment accrual (TVP) R	Share-based payment expense ⁵ R	Gains on management share schemes R	Total remuneration expense R
5 260		44 586 489		14 472 298	(34 428 706)	24 630 081
5 260		20 088 986		6 596 259	(12 659 608)	14 025 637
10 520		64 675 475		21 068 557	(47 088 314)	38 655 718
5 260		14 797 587		3 191 465	(10 587 466)	7 401 586
5 260		14 736 882	12 486 277	3 982 538	(9 725 567)	21 480 130
5 260		13 471 746		3 617 940	(8 289 737)	8 799 949
5 260	50 315	12 890 081		3 390 031	(7 938 277)	8 341 835
10 760		17 191 183		5 123 836	(11 406 949)	10 908 070
10 760		4 134 817		1 253 412	(1 430 620)	3 957 609
5 260		12 806 127		3 424 772	(7 971 587)	8 259 312
47 820	50 315	90 028 423	12 486 277	23 983 994	(57 350 203)	69 148 491

14.5.3 INTEREST IN EXXARO SHARES

(i) Number of shares

Directors at 31 December	2020		2019	
	Direct	Indirect	Direct	Indirect
Beneficial interest				
PA Koppeschaar	63 091		33 089	
MDM Mgojo	332 385	4 671 041	248 671	4 671 041
VZ Mntambo		4 448 839		4 448 839
Non-beneficial interest				
PA Koppeschaar		11 701		5 755
MDM Mgojo		40 262		27 484

(ii) Percentages (direct and indirect)

Directors at 31 December	2020 %	2019 %
PA Koppeschaar	0.02	0.01
MDM Mgojo	1.41	1.38
VZ Mntambo	1.24	1.24

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2020 and the date on which the annual financial statements were approved.

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14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS

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

Management share scheme – LTIP

2020	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December ¹ R	Pre-tax gain if exercisable at 31 December ¹ R	Options exercised during the year Number	Shares forfeited ² Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		01/04/2020			136 871	11 418	99.25	13 584 447	01/04/2020
	161 974	01/04/2021	22 498 189	22 498 189					
	111 942	01/04/2022	15 548 744	15 548 744					
	175 347	01/04/2023	24 355 698	24 355 698					
	449 263		62 402 631	62 402 631	136 871	11 418		13 584 447	
PA Koppeschaar		01/04/2020			59 410	4 956	99.25	5 896 443	01/04/2020
	76 047	01/04/2021	10 562 928	10 562 928					
	52 605	01/04/2022	7 306 835	7 306 835					
	82 402	01/04/2023	11 445 638	11 445 638					
	211 054		29 315 401	29 315 401	59 410	4 956		5 896 443	
Prescribed officers									
V Balgobind		01/04/2020			26 744	2 230	99.25	2 654 342	01/04/2020
	32 148	01/04/2021	4 465 357	4 465 357					
	22 218	01/04/2022	3 086 080	3 086 080					
	34 802	01/04/2023	4 833 998	4 833 998					
	89 168		12 385 435	12 385 435	26 744	2 230		2 654 342	
AS de Angelis	14 930	01/04/2021	2 073 777	2 073 777					
	14 084	01/04/2021	1 956 268	1 956 268					
	10 366	01/04/2022	1 439 837	1 439 837					
	32 361	01/04/2023	4 494 943	4 494 943					
	71 741		9 964 825	9 964 825					
AW Diedericks		01/04/2020			33 804	2 819	99.25	3 355 047	01/04/2020
	38 687	01/04/2021	5 373 624	5 373 624					
	26 362	01/04/2022	3 661 682	3 661 682					
	41 293	01/04/2023	5 735 598	5 735 598					
	106 342		14 770 904	14 770 904	33 804	2 819		3 355 047	
JG Meyer		01/04/2020			33 804	2 819	99.25	3 355 047	01/04/2020
	39 720	01/04/2021	5 517 108	5 517 108					
	27 323	01/04/2022	3 795 165	3 795 165					
	42 798	01/04/2023	5 944 642	5 944 642					
	109 841		15 256 915	15 256 915	33 804	2 819		3 355 047	
MI Mithenjane		01/04/2020			33 181	2 767	99.25	3 293 214	01/04/2020
	37 975	01/04/2021	5 274 728	5 274 728					
	25 754	01/04/2022	3 577 231	3 577 231					
	40 341	01/04/2023	5 603 365	5 603 365					
	104 070		14 455 324	14 455 324	33 181	2 767		3 293 214	
Dr N Tsengwa		01/04/2020			50 008	4 171	99.25	4 963 294	01/04/2020
	58 762	01/04/2021	8 162 042	8 162 042					
	40 991	01/04/2022	5 693 650	5 693 650					
	64 208	01/04/2023	8 918 491	8 918 491					
	163 961		22 774 183	22 774 183	50 008	4 171		4 963 294	
SE van Loggerenberg ³		01/04/2020			6 057	505	99.25	601 157	01/04/2020
		01/10/2020			7 043	587	124.01	873 402	07/10/2020
	16 187	01/04/2021	2 248 374	2 248 374					
	11 146	01/04/2022	1 548 179	1 548 179					
	17 458	01/04/2023	2 424 916	2 424 916					
	44 791		6 221 469	6 221 469	13 100	1 092		1 474 559	
		01/04/2020			32 726	2 730	99.25	3 248 056	01/04/2020
M Vetli	37 455	01/04/2021	5 202 500	5 202 500					
	25 402	01/04/2022	3 528 338	3 528 338					
	39 790	01/04/2023	5 526 831	5 526 831					
	102 647		14 257 669	14 257 669	32 726	2 730		3 248 056	

¹ Based on a share price of R138.90 which prevailed on 31 December 2020.

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

³ Resigned on 18 February 2021.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS continued

Management share scheme – LTIP continued

2019	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December ¹ R	Pre-tax gain if exercisable at 31 December ¹ R	Modification during the year Number	Options exercised during the year Number	Shares forfeited ² Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2019				190 337	16 051	164.78	31 363 731	01/04/2019
	148 289	01/04/2020	19 446 619	19 446 619	8 381					
	161 974	01/04/2021	21 241 270	21 241 270	9 154					
	111 942	01/04/2022	14 680 074	14 680 074						
	422 205		55 367 963	55 367 963	17 535	190 337	16 051		31 363 731	
PA Koppeschaar		01/04/2019				47 744	4 026	164.78	7 867 256	01/04/2019
		01/09/2019			2 174	35 470	2 991	135.11	4 792 352	09/09/2019
	64 366	01/04/2020	8 440 957	8 440 957	3 638					
	76 047	01/04/2021	9 972 804	9 972 804	4 298					
	52 605	01/04/2022	6 898 620	6 898 620						
	193 018		25 312 381	25 312 381	10 110	83 214	7 017		12 659 608	
Prescribed officers										
V Balgobind		01/04/2019				38 416	3 239	164.78	6 330 188	01/04/2019
		01/04/2019				21 760		164.78	3 585 613	01/04/2019
	28 974	01/04/2020	3 799 650	3 799 650	1 638					
	32 148	01/04/2021	4 215 889	4 215 889	1 817					
	22 218	01/04/2022	2 913 669	2 913 669						
	83 340		10 929 208	10 929 208	3 455	60 176	3 239		9 915 801	
AW Diedericks		01/04/2019				49 547	4 178	164.78	8 164 355	01/04/2019
	36 623	01/04/2020	4 802 740	4 802 740	2 070					
	38 687	01/04/2021	5 073 413	5 073 413	2 187					
	26 362	01/04/2022	3 457 113	3 457 113						
	101 672		13 333 266	13 333 266	4 257	49 547	4 178		8 164 355	
JG Meyer		01/04/2019				49 547	4 178	164.78	8 164 355	01/04/2019
	36 623	01/04/2020	4 802 740	4 802 740	2 070					
	39 720	01/04/2021	5 208 881	5 208 881	2 245					
	27 323	01/04/2022	3 583 138	3 583 138						
	103 666		13 594 759	13 594 759	4 315	49 547	4 178		8 164 355	
MI Mthenjane		01/04/2019				48 175	4 062	164.78	7 938 277	01/04/2019
	35 948	01/04/2020	4 714 221	4 714 221	2 032					
	37 975	01/04/2021	4 980 042	4 980 042	2 147					
	25 754	01/04/2022	3 377 380	3 377 380						
	99 677		13 071 643	13 071 643	4 179	48 175	4 062		7 938 277	
Dr N Tsengwa		01/04/2019				41 673	3 514	164.78	6 866 877	01/04/2019
		01/05/2019				24 867	2 097	162.84	4 049 342	10/05/2019
	54 179	01/04/2020	7 105 034	7 105 034	3 062					
	58 762	01/04/2021	7 706 049	7 706 049	3 321					
	40 991	01/04/2022	5 375 560	5 375 560						
	153 932		20 186 643	20 186 643	6 383	66 540	5 611		10 916 219	
SE van Loggerenberg		01/04/2019				8 682	732	164.78	1 430 620	01/04/2019
	6 562	01/04/2020	860 541	860 541	371					
	7 630	01/10/2020	1 000 598	1 000 598	432					
	16 187	01/04/2021	2 122 763	2 122 763	915					
	11 146	01/04/2022	1 461 686	1 461 686						
	41 525		5 445 588	5 445 588	1 718	8 682	732		1 430 620	
M Vetli		01/04/2019				47 968	4 045	164.78	7 904 167	01/04/2019
	35 456	01/04/2020	4 649 700	4 649 700	2 004					
	37 455	01/04/2021	4 911 849	4 911 849	2 117					
	25 402	01/04/2022	3 331 218	3 331 218						
	98 313		12 892 767	12 892 767	4 121	47 968	4 045		7 904 167	

¹ Based on a share price of R131.14 which prevailed on 31 December 2019.

² A modification was made to the LTIP schemes during 2019 which resulted in a top-up in the number of rights employees are entitled to.

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

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14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS continued

Management share scheme – DBP

2020	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December ¹ R	Pre-tax gain if exercisable at 31 December ¹ R	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors MDM Mgojo		31/08/2020			1 209	138.35	167 265	01/09/2020
	4 372	09/03/2021	607 271	607 271				
	11 139	31/03/2021	1 547 207	1 547 207				
	1 003	31/08/2021	139 317	139 317				
	1 414	15/03/2022	196 405	196 405				
	8 347	31/03/2022	1 159 398	1 159 398				
	12 710	31/03/2023	1 765 419	1 765 419				
	1 277	31/08/2023	177 375	177 375				
	40 262		5 592 392	5 592 392	1 209		167 265	
PA Koppeschaar	732	31/08/2021	101 675	101 675				
	5 369	31/03/2022	745 754	745 754				
	4 628	31/03/2023	642 829	642 829				
	972	31/03/2023	135 011	135 011				
	11 701		1 625 269	1 625 269				
Prescribed officers V Balgobind		09/03/2020			1 054	104.33	109 964	24/03/2020
		31/03/2020			1 891	97.81	184 959	03/04/2020
		31/08/2020			303	138.35	41 920	08/09/2020
	1 089	09/03/2021	151 262	151 262				
	1 880	31/03/2021	261 132	261 132				
	253	31/08/2021	35 142	35 142				
	351	15/03/2022	48 754	48 754				
	2 540	31/03/2022	352 806	352 806				
	2 170	31/03/2023	301 413	301 413				
	8 283		1 150 509	1 150 509	3 248		336 843	
	1 057	31/03/2023	146 817	146 817				
	451	31/08/2023	62 644	62 644				
	1 508		209 461	209 461				
AW Diedericks		09/03/2020			2 406	104.33	251 018	18/03/2020
		31/03/2020			4 368	97.81	427 234	01/04/2020
		31/08/2020			688	138.35	95 185	31/08/2020
	2 484	09/03/2021	345 028	345 028				
	4 287	31/03/2021	595 464	595 464				
	557	31/08/2021	77 367	77 367				
	773	15/03/2022	107 370	107 370				
	3 098	31/03/2022	430 312	430 312				
	4 641	31/03/2023	644 635	644 635				
	690	31/08/2023	95 841	95 841				
	16 530		2 296 017	2 296 017	7 462		773 437	
JG Meyer		09/03/2020			2 413	104.33	251 748	16/03/2020
		31/03/2020			4 375	97.81	427 919	01/04/2020
		31/08/2020			688	138.35	95 185	02/09/2020
	4 786	31/03/2023	664 775	664 775				
	4 786		664 775	664 775	7 476		774 852	
MI Mithenjane		09/03/2020			1 304	104.33	136 046	24/03/2020
		31/08/2020			670	138.35	92 695	08/09/2020
	1 346	09/03/2021	186 959	186 959				
	2 331	31/03/2021	323 776	323 776				
	3 677		510 735	510 735	1 974		228 741	
Dr N Tsengwa		09/03/2020			1 308	104.33	136 464	18/03/2020
		31/08/2020			396	138.35	54 787	09/09/2020
	265	31/08/2021	36 809	36 809				
	519	15/03/2022	72 089	72 089				
	2 359	31/03/2022	327 665	327 665				
	418	31/08/2023	58 060	58 060				
	3 561		494 623	494 623	1 704		191 251	
M Vetli		09/03/2020			1 271	104.33	132 603	23/03/2020
		31/08/2020			369	138.35	51 051	07/09/2020
	1 326	09/03/2021	184 181	184 181				
	2 314	31/03/2021	321 415	321 415				
	302	31/08/2021	41 948	41 948				
	419	15/03/2022	58 199	58 199				
	1 675	31/03/2022	232 658	232 658				
	660	31/08/2023	91 674	91 674				
	6 696		930 075	930 075	1 640		183 654	

¹ Based on a share price of R138.90 which prevailed on 31 December 2020.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 SHARE OPTIONS AND RESTRICTED SHARE AWARDS continued

Management share scheme – DBP

2019	Rights held at 31 December Number	Exercisable period	Proceeds if exercisable at 31 December ¹ R	Pre-tax gain if exercisable at 31 December ¹ R	Modification during the year Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		04/03/2019				6 314	152.57	963 327	20/03/2019
		31/03/2019				11 444	164.78	1 885 742	01/04/2019
		31/08/2019			91	1 598	135.11	215 906	09/09/2019
	1 209	31/08/2020	158 548	158 548	69				
	4 372	09/03/2021	573 344	573 344	248				
	11 139	31/03/2021	1 460 768	1 460 768	630				
	1 003	31/08/2021	131 533	131 533	57				
	1 414	15/03/2022	185 432	185 432					
	8 347	31/03/2022	1 094 626	1 094 626					
	27 484		3 604 251	3 604 251	1 095	19 356		3 064 975	
PA Koppeschaar	732	31/08/2021	95 994	95 994	42				
	5 369	31/03/2022	704 091	704 091					
	6 101		800 085	800 085	42				
Prescribed officers									
V Balgobind		04/03/2019				1 836	152.57	280 119	26/03/2019
		31/03/2019				2 040	164.78	336 151	01/04/2019
		31/08/2019			24	410	135.11	55 395	09/09/2019
	1 054	09/03/2020	138 222	138 222	60				
	1 891	31/03/2020	247 986	247 986	107				
	303	31/08/2020	39 735	39 735	18				
	1 089	09/03/2021	142 811	142 811	62				
	1 880	31/03/2021	246 543	246 543	107				
	253	31/08/2021	33 178	33 178	15				
	351	15/03/2022	46 030	46 030					
AW Diedericks	2 540	31/03/2022	333 096	333 096					
	9 361		1 227 601	1 227 601	393	4 286		671 665	
		04/03/2019				3 650	152.57	556 881	19/03/2019
		31/03/2019				5 339	164.78	879 760	09/04/2019
		31/08/2019			53	922	135.11	124 571	10/09/2019
	2 406	09/03/2020	315 523	315 523	136				
	4 368	31/03/2020	572 820	572 820	247				
	688	31/08/2020	90 224	90 224	39				
	2 484	09/03/2021	325 752	325 752	141				
	4 287	31/03/2021	562 197	562 197	243				
JG Meyer	557	31/08/2021	73 045	73 045	32				
	773	15/03/2022	101 371	101 371					
	3 098	31/03/2022	406 272	406 272					
	18 661		2 447 204	2 447 204	891	9 911		1 561 212	
		31/08/2019			53	928	135.11	125 382	03/09/2019
	2 413	09/03/2020	316 441	316 441	137				
	4 375	31/03/2020	573 738	573 738	248				
	688	31/08/2020	90 224	90 224	39				
	7 476		980 403	980 403	477	928		125 382	
		09/03/2020	171 007	171 007	74				
MI Mthenjane	670	31/08/2020	87 864	87 864	38				
	1 346	09/03/2021	176 514	176 514	77				
	2 331	31/03/2021	305 687	305 687	132				
	5 651		741 072	741 072	321				
Dr. N Tsengwa		31/03/2019				2 596	164.78	427 769	09/04/2019
		31/08/2019			27	466	135.11	62 961	10/09/2019
	1 308	09/03/2020	171 531	171 531	74				
	396	31/08/2020	51 931	51 931	23				
	265	31/08/2021	34 752	34 752	15				
	519	15/03/2022	68 062	68 062					
	2 359	31/03/2022	309 359	309 359					
	4 847		635 635	635 635	139	3 062		490 730	
M Vetli		31/08/2019			29	499	135.11	67 420	10/09/2019
	1 271	09/03/2020	166 679	166 679	72				
	369	31/08/2020	48 391	48 391	21				
	1 326	09/03/2021	173 892	173 892	75				
	2 314	31/03/2021	303 458	303 458	131				
	302	31/08/2021	39 604	39 604	18				
	419	15/03/2022	54 948	54 948					
	1 675	31/03/2022	219 660	219 660					
	7 676		1 006 632	1 006 632	346	499		67 420	

¹ Based on a share price of R131.14 which prevailed on 31 December 2019.

² A modification was made to the DBP schemes during 2019 which resulted in a top-up in the number of rights employees are entitled to.

CHAPTER 15:

RELATED PARTIES

137	15.1	Related-party transactions
137	15.2	Reportable irregularity



CHAPTER 15:

Related parties

15.1 RELATED-PARTY TRANSACTIONS

Transactions with related parties are on terms that are not more nor less favourable than those arranged with independent third parties.

SHAREHOLDERS

The principal shareholders of the company at 31 December 2020 are detailed in chapter 19, annexure 1.

DIRECTORS

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

SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 14.5.

KEY MANAGEMENT PERSONNEL

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

SUBSIDIARIES

Details of transactions with and investments in subsidiaries are disclosed in chapter 17.

STRUCTURED ENTITIES

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

Entity	Nature of business
Exxaro Chairman's Fund	Local social economic development ¹
Exxaro Foundation	Local social economic development ¹
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Mountain Bike Academy NPC	Local social economic development ¹
Exxaro People Development Initiative NPC	Local social economic development — bridging classes ¹
Kumba Resources Management Share Trust	Management share incentive trust
Exxaro Employee Share Ownership Trust ²	Structured entity to hold shares in Exxaro ESOP SPV for the benefit of qualifying beneficiaries ²
Exxaro ESOP SPV RF Proprietary Limited ²	Structured entity to hold shares in Eyesizwe for the benefit of Exxaro ESOP Trust ²
Exxaro Matla Setshabeng Development NPC ²	Structured entity to benefit communities ^{1,2}
Eyesizwe (RF) Proprietary Limited	Structured entity to hold the BEE shares
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure

¹ Non-profit organisations.

² Refer note 8.7.

ASSOCIATES AND JOINT VENTURES

Details of associates and JVs are disclosed in chapter 9. Details of trading transactions and balances are summarised below.

	Group			
	Associates		Joint ventures	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Items of income/(expense) incurred during the year				
Sales of goods and services rendered	18	6		
Purchases of goods and services rendered	(198)	(318)	(1 093)	(1 103)
Outstanding balances at 31 December				
Included in trade and other receivables	26	1	2	1
Included in trade and other payables	(13)	(12)	(124)	(124)

15.2 REPORTABLE IRREGULARITY

The company brought to the attention of the group's independent auditor a possible reportable irregularity relating to a perceived breach of fiduciary duties by an employee of the group. Prior to this disclosure of the possible reportable irregularity to the independent auditor, the company had taken various steps and implemented measures to address the issues concerned. The independent auditor has confirmed that the reportable irregularity was not ongoing and had been duly addressed, and reported accordingly to the Independent Regulatory Board of Auditors.

CHAPTER 16:

FINANCIAL INSTRUMENTS

139	16.1	Accounting policies relating to financial instruments
142	16.2	Judgements and assumptions made by management in applying the related accounting policies
143	16.3	Financial instruments



CHAPTER 16:

Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 FINANCIAL ASSETS

(i) Classification

Financial assets are classified in the following measurement categories:

- Those measured subsequently at fair value, either through OCI (FVOCI), or through profit or loss (FVPL)
- Those measured at amortised cost.

The classification depends on the business model for managing the financial assets as well as the contractual terms of the cash flows.

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

Cash and cash equivalents includes cash on hand, funds held at financial institutions and bank overdrafts.

Debt investments are reclassified when, and only when, the business model for managing those assets change.

(ii) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the business model applied for managing the asset and the cash flow characteristics of the asset. Currently there are two measurement categories into which debt instruments are classified, as there are no debt instruments classified as FVOCI, as summarised in the table below.

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

CHAPTER 16:

Financial instruments continued

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 FINANCIAL ASSETS continued

(ii) Measurement continued

Equity instruments

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

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

(iii) Impairment

ECLs associated with debt instruments carried at amortised cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

ECL allowances are measured on either of the following bases:

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

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

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

Credit risk on a financial asset is assumed to have increased significantly if it is more than 30 days past due.

A financial asset is considered to be in default when contractual payments are 90 days past due. However, in certain cases, a financial asset is considered to be in default when internal or external information indicates that the outstanding contractual amounts are unlikely to be received in full before taking into account any credit enhancements held over the financial asset.

Financial assets measured at amortised cost are categorised as follows:

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

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS *continued*

16.1.2 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative positions may be entered into to manage exposures to certain financial risks such as interest rate and foreign currency risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument and found to be effective, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

On initial recognition, when the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, namely, when the instrument is derecognised or over the life of the transaction.

Counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the DVA.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless there is both a legally enforceable right as well as an intention to offset.

A derivative that is not designated, nor found to be effective as a hedging instrument, is presented as a non-current financial asset or a non-current financial liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives not designated, nor found to be effective as a hedging instrument, are presented as current financial assets or current financial liabilities.

16.1.3 HEDGE ACCOUNTING: CASH FLOW HEDGES

The group has designated as cash flow hedges, and found to be effective, its interest rate swaps that cover a portion of the interest rate cash flows on certain of the project financing interest-bearing borrowings.

At inception of the hedge relationship, the risk management objective and strategy for undertaking the hedged transactions, as well as the economic relationship between the hedging instruments and hedged items (including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items) are documented.

The effectiveness of the hedging instrument offsetting changes in cash flows of the hedged item attributable to the hedged risk is assessed and documented at inception and on an ongoing basis. The hedge relationship is determined to be effective when all of the following requirements are met:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that is actually hedged and the quantity of the hedging instrument that is actually used to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship is adjusted (ie rebalances the hedge) so that it meets the qualifying criteria again.

The full fair value of a derivative designated and found to be effective as a hedging instrument is classified as:

- A non-current financial asset or financial liability when the remaining maturity of the hedged item is more than 12 months or
- A current financial asset or financial liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the cash flow hedge reserve within equity, but limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item, namely finance costs.

Furthermore, in cases where it is expected that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss in operating expenses.

Hedge accounting is discontinued only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in OCI and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

CHAPTER 16:

Financial instruments continued

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.4 LOAN COMMITMENTS ISSUED BY THE GROUP AND COMPANY

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

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

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

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

The following judgements and assumptions were applied for trade and other receivables:

The trade and other receivables are categorised into the following categories public sector entities, corporate entities as well as SMEs. Intercompany debtors are classified as SMEs, and the same PD and LGD multipliers as used for external trade and other receivables are used to calculate intercompany ECLs. Where Exxaro company is indebted to related parties, Exxaro's external credit rating is used to determine its PD and LGD multipliers.

The table below sets out the PD and LGD multipliers used for public sector entities, corporate entities and SMEs.

		Percentage of gross trade receivables	PD	LGD
2020	Public sector entities	62%	7.50%	30.0%
	Corporate entities	7%	3.10% to 4.40%	37.0% to 41.0%
	SMEs	31%	4.78%	39.6%
2019	Public sector entities	56%	4.96%	25.0%
	Corporate entities	4%	0.10% to 0.36%	34.0% to 35.0%
	SMEs	40%	0.47%	34.4%

16.3 FINANCIAL INSTRUMENTS

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS

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

	Group						
	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Derivative financial liabilities designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
At 31 December 2020							
Financial assets							
Non-current							
Financial assets, consisting of:	222	1 247	672				2 141
– Equity: unlisted – Chifeng	222						222
– Debt: unlisted – environmental rehabilitation funds		1 247					1 247
– ESD loans			79				79
– Other financial assets at amortised cost			593				593
Total non-current financial assets	222	1 247	672				2 141
Current							
Financial assets, consisting of:			169				169
– ESD loans			105				105
– Other financial assets at amortised cost			64				64
Trade and other receivables, consisting of:			2 827				2 827
– Trade receivables			2 698				2 698
– Other receivables			129				129
Cash and cash equivalents			3 196				3 196
Total current financial assets			6 192				6 192
Non-current assets held-for-sale		655	186				841
Total financial assets	222	1 902	7 050				9 174
Financial liabilities							
Non-current							
Interest-bearing borrowings						(7 448)	(7 448)
Other payables						(24)	(24)
Financial liabilities, consisting of:							
– Hedging derivatives: interest rate swaps					(713)		(713)
– Loan from NCI						(69)	(69)
Total non-current financial liabilities					(713)	(7 541)	(8 254)
Current							
Interest-bearing borrowings						(6 163)	(6 163)
Trade and other payables						(2 940)	(2 940)
Financial liabilities, consisting of:				(49)			(49)
– Derivative financial liabilities				(49)			(49)
Overdraft						(17)	(17)
Total current financial liabilities				(49)		(9 120)	(9 169)
Non-current liabilities held-for-sale						(296)	(296)
Total financial liabilities				(49)	(713)	(16 957)	(17 719)

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

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

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

At 31 December 2019	Group					Total carrying amount Rm
	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Financial liabilities at amortised cost Rm	
Financial assets						
Non-current						
Financial assets, consisting of:	235	2 039	400			2 674
– Equity: unlisted – Chifeng	235					235
– Debt: unlisted – environmental rehabilitation funds		2 039				2 039
– ESD loans			124			124
– Other financial assets at amortised cost			276			276
Total non-current financial assets	235	2 039	400			2 674
Current						
Financial assets, consisting of:			272			272
– Loans to associates and JVs			133			133
– ESD loans			82			82
– Other financial assets at amortised cost			57			57
Trade and other receivables, consisting of:			3 241			3 241
– Trade receivables			2 928			2 928
– Other receivables			313			313
Cash and cash equivalents			2 695			2 695
Total current financial assets			6 208			6 208
Total financial assets	235	2 039	6 608			8 882
Financial liabilities						
Non-current						
Interest-bearing borrowings					(6 991)	(6 991)
Other payables					(121)	(121)
Total non-current financial liabilities					(7 112)	(7 112)
Current						
Interest-bearing borrowings					(50)	(50)
Trade and other payables					(2 603)	(2 603)
Financial liabilities, consisting of:				(191)	(307)	(498)
– Contingent consideration				(191)		(191)
– Deferred consideration payable					(307)	(307)
Overdraft					(976)	(976)
Total current financial liabilities				(191)	(3 936)	(4 127)
Total financial liabilities				(191)	(11 048)	(11 239)

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Company			
	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
At 31 December 2020				
Financial assets				
Non-current				
Financial assets, consisting of:	30	1 376		1 406
– Debt: unlisted – environmental rehabilitation funds	30			30
– ESD loans		79		79
– Interest-bearing loans to subsidiaries		1 297		1 297
Total non-current financial assets	30	1 376		1 406
Current				
Financial assets, consisting of:		11 386		11 386
– ESD loans		105		105
– Interest-bearing loans to subsidiaries		6 041		6 041
– Non-interest-bearing loans to subsidiaries		353		353
– Treasury facilities with subsidiaries at amortised cost		4 887		4 887
Trade and other receivables, consisting of:		646		646
– Other receivables		7		7
– Indebtedness by subsidiaries		639		639
Cash and cash equivalents		1 864		1 864
Total current financial assets		13 896		13 896
Total financial assets	30	15 272		15 302
Financial liabilities				
Non-current				
Interest-bearing borrowings			(2 748)	(2 748)
Total non-current financial liabilities			(2 748)	(2 748)
Current				
Interest-bearing borrowings			(6 053)	(6 053)
Trade and other payables			(200)	(200)
Financial liabilities, consisting of:			(16 071)	(16 071)
– Non-interest-bearing loans from subsidiary			(8 672)	(8 672)
– Treasury facilities with subsidiaries at amortised cost			(7 399)	(7 399)
Overdraft			(17)	(17)
Total current financial liabilities			(22 341)	(22 341)
Total financial liabilities			(25 089)	(25 089)

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

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

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 CARRYING AMOUNTS AND FAIR VALUE AMOUNTS OF FINANCIAL INSTRUMENTS continued

	Company			
	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Financial liabilities at amortised cost Rm
At 31 December 2019				
Financial assets				
Non-current				
Financial assets, consisting of:	29	7 124		7 153
– Debt: unlisted – environmental rehabilitation funds	29			29
– ESD loans		124		124
– Interest-bearing loans to subsidiaries		7 000		7 000
Total non-current financial assets	29	7 124		7 153
Current				
Financial assets, consisting of:		4 539		4 539
– ESD loans		82		82
– Interest-bearing loans to subsidiaries		60		60
– Non-interest-bearing loans to subsidiaries		359		359
– Treasury facilities with subsidiaries at amortised cost		4 038		4 038
Trade and other receivables, consisting of:		630		630
– Other receivables		15		15
– Indebtedness by subsidiaries		615		615
Cash and cash equivalents		1 649		1 649
Total current financial assets		6 818		6 818
Total financial assets	29	13 942		13 971
Financial liabilities				
Non-current				
Interest-bearing borrowings			(6 991)	(6 991)
Total non-current financial liabilities			(6 991)	(6 991)
Current				
Interest-bearing borrowings			(50)	(50)
Trade and other payables			(177)	(177)
Financial liabilities, consisting of:			(191)	(14 398)
– Contingent consideration		(191)		(191)
– Deferred consideration payable			(307)	(307)
– Non-interest-bearing loans from subsidiary			(8 452)	(8 452)
– Treasury facilities with subsidiaries at amortised cost			(5 448)	(5 448)
Overdraft			(976)	(976)
Total current financial liabilities			(191)	(15 601)
Total financial liabilities			(191)	(22 592)

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

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES

16.3.2.1 Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.

Level 3 – Inputs that are not based on observable market data (unobservable inputs).

2020	Group		
	Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVOCI	222		222
Equity: unlisted – Chifeng	222		222
Financial assets at FVPL	1 902	1 902	
Non-current debt: unlisted – environmental rehabilitation funds	1 247	1 247	
Non-current debt: unlisted – environmental rehabilitation funds, included in non-current assets held-for-sale	655	655	
Derivative financial liabilities	(49)	(49)	
Current derivative financial liabilities	(49)	(49)	
Derivative financial liabilities designated as hedging instruments	(713)	(713)	
Non-current hedging derivatives: interest rate swaps	(713)	(713)	
Net financial assets held at fair value	1 362	1 140	222

Reconciliation of Level 3 hierarchy	Contingent consideration Rm	Chifeng Rm	Total Rm
At 31 December 2019	(191)	235	44
Movement during the year			
Losses recognised in profit or loss	(3)		(3)
Losses recognised in OCI (pre-tax effect) ¹		(13)	(13)
Acquisition of subsidiaries ²	(98)		(98)
Settlements ³	296		296
Exchange losses recognised in profit or loss	(4)		(4)
At 31 December 2020		222	222

¹ Tax on Chifeng amounts to nil.

² Relates to the acquisition of the remaining 50% interest in Cennergji (refer note 8.3.2.1).

³ Relates to the ECC contingent consideration, amounting to R195 million, which was fully settled in January 2020 and the Cennergji contingent consideration, amounting to R101 million, which was fully settled in December 2020.

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES continued

16.3.2.1 Fair value hierarchy continued

2019	Group		
	Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVOCI	235		235
Equity: unlisted – Chifeng	235		235
Financial assets at FVPL	2 039	2 039	
Non-current debt: unlisted – environmental rehabilitation funds	2 039	2 039	
Financial liabilities at FVPL	(191)		(191)
Current contingent consideration	(191)		(191)
Net financial assets held at fair value	2 083	2 039	44

	Contingent consideration Rm	Chifeng Rm	Total Rm
Reconciliation of Level 3 hierarchy			
At 31 December 2018	(849)	185	(664)
Movement during the year			
Gains recognised in profit or loss	296		296
Gains recognised in OCI (pre-tax effect) ¹		50	50
Settlements	344		344
Exchange gains recognised in profit or loss	18		18
At 31 December 2019	(191)	235	44

¹ Tax on Chifeng amounts to nil.

2020	Company	
	Fair value Rm	Level 2 Rm
Financial assets at FVPL	30	30
Non-current debt: unlisted – environmental rehabilitation funds	30	30
Net financial assets held at fair value	30	30

	Contingent consideration Rm	Total Rm
Reconciliation of Level 3 hierarchy		
At 31 December 2019	(191)	(191)
Movement during the year		
Losses recognised in profit or loss	(3)	(3)
Acquisition of subsidiaries ¹	(98)	(98)
Settlements ²	296	296
Exchange losses recognised in profit or loss	(4)	(4)
At 31 December 2020		

¹ Relates to the acquisition of the remaining 50% shareholding in Cennergi (refer note 8.3.2.1).

² Relates to the ECC contingent consideration, amounting to R195 million, which was fully settled in January 2020 and the Cennergi contingent consideration, amounting to R101 million, which was fully settled in December 2020.

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 FAIR VALUES continued

16.3.2.1 Fair value hierarchy continued

2019	Company		
	Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVPL	29	29	
Non-current debt: unlisted – environmental rehabilitation funds	29	29	
Financial liabilities at FVPL	(191)		(191)
Current contingent consideration	(191)		(191)
Net financial (liabilities)/assets held at fair value	(162)	29	(191)

Reconciliation of Level 3 hierarchy	Put option Rm	Contingent consideration Rm	Total Rm
At 31 December 2018	(584)	(849)	(1 433)
Movement during the year			
Gains recognised in profit or loss	12	296	308
Option lapsed ¹ /settlements	572	344	916
Exchange gains recognised in profit or loss		18	18
At 31 December 2019		(191)	(191)

¹ The put option lapsed as the preference share liability was settled in full.

16.3.2.2 Transfers

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2020 and 31 December 2019.

16.3.2.3 Valuation process applied

The fair value computations of investments are performed by the corporate finance department, reporting to the finance director, on a six-monthly basis. The valuation reports are discussed with the chief operating decision maker and the audit committee in accordance with Exxaro's reporting governance.

16.3.2.4 Current derivative financial instruments

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

16.3.2.5 Environmental rehabilitation funds

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

16.3.2.6 Interest rate swaps

Level 2 fair values for interest rate swaps are based on valuations provided by the financial institutions with whom the interest rate swaps have been entered into, and take into account credit risk. The valuations are assessed for reasonableness by discounting the estimated future cash flows based on observable ZAR swap curves.

16.3.3 RISK MANAGEMENT

16.3.3.1 Financial risk management

The group's corporate treasury function predominantly provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, commodity price risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

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

Financial instruments, including derivative financial instruments, are not entered into nor traded for speculative purposes rather, financial instruments are entered into 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.

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.1 Financial risk management continued

Capital management

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or ROCE) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

16.3.3.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in the environmental rehabilitation funds quoted prices (see 16.3.3.2.1), foreign currency exchange rates (see 16.3.3.2.2), commodity prices (see 16.3.3.2.3) and interest rates (see 16.3.3.2.4). The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, commodity price risk and interest rate risk, including:

- Currency FECs, currency options and currency swap agreements to manage the exchange rate risk arising on the export of coal and import of capital expenditure
- Commodity FECs to manage coal price risk on the export of coal
- Interest rate swaps and interest rate forwards to manage interest rate risk on the interest-bearing borrowings.

16.3.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by and classified either as at FVOCI or at FVPL. Currently, the group's exposure to equity price risk is not considered to be significant as Chifeng is seen as a non-core investment.

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

16.3.3.2.2 Foreign currency risk management

Certain transactions are denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar.

Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

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

Uncovered cash and cash equivalents amount to US\$116.35 million (2019: US\$89.81 million).

Monetary items have been translated at the closing rate at the last day of the reporting period.

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

The following significant exchange rates applied during the year:

	2020			2019		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US\$	16.45	16.43	14.62	14.44	14.73	14.13
Euro (€)	18.76		17.97	16.16		15.83
AU\$	11.35		11.27	10.05		9.90

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Commodity price risk management

The group entered into commodity FECs to hedge certain of its export product exposure, in terms of coal prices for the period ended 31 December 2020. The current commodity FECs on coal will mature within the next four months.

Details of the contracts at 31 December 2020 are as follows:

	Tonnes	Group		Recognised fair value losses Rm
		Market related value Rm	Contract value Rm	
2020				
Coal	450 000	577	528	(49)

Commodity price sensitivity

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

2020	Impact on profit/(loss) Rm
Coal	(53)

A 10% positive move against the above commodity prices at 31 December 2020 would have had the equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

16.3.3.2.4 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

As part of the Cennergi business combination the group assumed Cennergi's borrowings and interest rate swaps as financial liabilities. The contractual terms of these borrowings required interest rate swaps (hedging instruments) to be entered into to swap out the floating interest rate of the underlying project financing for a fixed interest rate. This was required to fix the future expected returns given the long-term nature of the project financing. The group amended its interest rate risk management strategy as follows:

- When the contractual terms of the borrowings and covenants thereof require the use of hedging instruments to mitigate the risk of fluctuations of the underlying interest rate risk cash flow exposure and the impact on profit or loss of specific projects being financed, the group looks to apply hedge accounting where an effective hedge relationship is expected and to the extent that such exposure poses a real risk to the achievement of the loan covenants.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

16.3.3.2.4.1 Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for the loan facility and bonds is summarised below for group and company:

	1 to 6 months Rm	Total borrowings Rm
At 31 December 2020		
Non-current interest-bearing borrowings: loan facility and bond	(2 748)	(2 748)
Current interest-bearing borrowings: loan facility and bond	(6 053)	(6 053)
Total interest-bearing borrowings: loan facility and bond	(8 801)	(8 801)
Total borrowings (%)	100	100
At 31 December 2019		
Non-current interest-bearing borrowings: loan facility and bond	(6 991)	(6 991)
Current interest-bearing borrowings: loan facility and bond	(50)	(50)
Total interest-bearing borrowings: loan facility and bond	(7 041)	(7 041)
Total borrowings (%)	100	100

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.1 Loan facility and bonds continued

Interest rate sensitivity

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

	2020 Rm	2019 Rm
Impact on earnings: loss	(44)	(35)

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

16.3.3.2.4.2 Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in 3-month JIBAR. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.

Hedge accounting: cash flow hedges

Hedge effectiveness:

The group has assumed certain interest rate swaps from its business combination with Cennergi that have similar critical terms as the hedged item, such as reference rates, reset dates, payment dates, maturities and notional amounts. The group does not hedge 100% of its project financing, therefore the hedged item is identified as a proportion of the outstanding project financing up to the notional amount of the interest rate swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness for interest rate swaps is assessed frequently. It may occur due to:

- The DVA on the interest rate swaps which is not matched by the project financing
- Differences in critical terms between the interest rate swaps and project financing.

The recognised ineffectiveness in 2020 amounted to R57 million and is mainly as a result of the DVA. Credit valuation adjustments are not considered due to the terms of the underlying project financing, which allow for set-off.

The interest rate swaps require settlement of net interest receivable or payable every six months. The settlement dates coincide with the dates on which interest is payable on the underlying project financing.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.2 Project financing continued

Hedge accounting: cash flow hedges continued

The following tables detail the financial position and performance of the interest rate swaps outstanding at the end of the reporting period and their related hedged items.

	Group
	2020 Rm
At 31 December	
Hedging instruments: Outstanding receive floating, pay fixed contracts	
– Nominal amount	4 219
– Carrying amount	(713)
– Cumulative change in fair value used for calculating hedge ineffectiveness	549
Hedged items: Cash flows on floating rate project financing linked to JIBAR	
– Nominal amount	4 219
– Carrying amount in cash flow hedge reserve (gross) for continuing hedges	428
– Cumulative change in value used for calculating hedge ineffectiveness	428

	Group
	2020 Rm
For the year ended 31 December	
Change in fair value of outstanding hedging instruments since 1 April 2020:	478
– Change in the value of the hedging instrument recognised in OCI	535
– Hedge ineffectiveness recognised in operating expenses	(57)
Amount reclassified from hedging reserve to profit or loss included in finance costs	(107)

The interest rate swaps settle on a bi-annual basis. The group settles the difference between the fixed and floating interest rate (3-month JIBAR) on a net basis. The 3-month JIBAR is swapped out to a fixed rate as follows:

- Tsitsikamma SPV floating rate facility: 9.55% up to 30 June 2030
- Amakhala SPV floating rate facilities:
 - IFC facilities: 8.42% up to 30 June 2031
 - A and C banking facilities: 8.00% up to 30 June 2021
9.46% up to 30 June 2026.

Hedging reserves

The hedging reserve relates to the fair value movements on cash flow hedges of interest rate swaps. The reserve is included within the financial instruments revaluation reserve on the statement of changes in equity, which includes the group's share of movements in its equity-accounted investees' hedging reserves.

Financial instruments revaluation reserve composition:

	Group	
	2020 Rm	2019 Rm
At 31 December		
Balance of share of movements of equity-accounted investees	(2)	23
Cash flow hedge reserve – interest rate swaps	308	
– Gross	428	
– Deferred tax on swap	(120)	
NCI share of hedging reserve	(51)	12
Financial instruments revaluation reserve	255	35

Movement analysis of cash flow hedge reserve – interest rate swaps:

	Group		
	Gross Rm	Tax Rm	Net Rm
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	535	(150)	385
Reclassified from OCI to profit or loss in finance costs	(107)	30	(77)
At 31 December 2020	428	(120)	308

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

The group manages liquidity risk by monitoring forecast cash flows in compliance with loan covenants and ensuring that adequate unutilised borrowing facilities are maintained.

Borrowing capacity is determined by the board of directors, from time to time.

	Group	
	2020 Rm	2019 Rm
Amount approved	48 476	43 470
Total borrowings	(13 611)	(7 041)
Unutilised borrowing capacity	34 865	36 429

The group's capital base and the borrowing powers of the company and the group were set at 125% of shareholders' funds for both the 2020 and 2019 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are rendered. A number of trade payables do, however, have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timely matching of orders placed with goods received notes or services acceptances and invoices.

16.3.3.3.1 Maturity profile of financial instruments

The following tables detail the contractual maturities of financial assets and financial liabilities:

	Group					
	Carrying amount Rm	Contractual cash flows Rm	Maturity			
			0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
At 31 December 2020						
Financial assets						
ESD loans	184	184	105	56	23	
Other financial assets at amortised cost ¹	271	300	76	71	153	
Trade and other receivables	2 827	2 827	2 827			
Cash and cash equivalents	3 196	3 196	3 196			
Total financial assets	6 478	6 507	6 204	127	176	
Percentage profile (%)		100	95	2	3	
Financial liabilities						
Interest-bearing borrowings	(13 611)	(16 709)	(6 907)	(1 841)	(3 342)	(4 619)
Non-current other payables	(24)	(24)		(18)	(6)	
Trade and other payables	(2 940)	(2 940)	(2 940)			
Derivative financial liabilities	(49)	(49)	(49)			
Hedging derivatives: interest rate swaps	(713)	(728)	(208)	(197)	(315)	(8)
Loan from NCI	(69)	(101)				(101)
Overdraft	(17)	(17)	(17)			
Total financial liabilities	(17 423)	(20 568)	(10 121)	(2 056)	(3 663)	(4 728)
Percentage profile (%)		100	49	10	18	23
Liquidity gap identified ²	(10 945)	(14 061)	(3 917)	(1 929)	(3 487)	(4 728)

¹ Excludes the environmental rehabilitation funds at amortised cost of R386 million.

² The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. Exxaro is in the process of refinancing its loan facility.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Group				
	Carrying amount Rm	Contractual cash flows Rm	Maturity		
			0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm
At 31 December 2019					
Financial assets					
Loans to associates and JVs	133	133	133		
ESD loans	206	206	82	65	59
Other financial assets at amortised cost	333	383	60	78	245
Trade and other receivables	3 241	3 241	3 241		
Cash and cash equivalents	2 695	2 695	2 695		
Total financial assets	6 608	6 658	6 211	143	304
Percentage profile (%)		100	93	2	5
Financial liabilities					
Interest-bearing borrowings	(7 041)	(8 288)	(716)	(3 170)	(4 402)
Non-current other payables	(121)	(121)		(112)	(9)
Contingent consideration	(191)	(191)	(191)		
Deferred consideration	(307)	(307)	(307)		
Trade and other payables	(2 603)	(2 603)	(2 603)		
Overdraft	(976)	(976)	(976)		
Total financial liabilities	(11 239)	(12 486)	(4 793)	(3 282)	(4 411)
Percentage profile (%)		100	39	26	35
Liquidity gap identified ¹	(4 631)	(5 828)	1 418	(3 139)	(4 107)

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

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

At 31 December 2020	Company					
	Carrying amount Rm	Contractual cash flows Rm	Maturity			
			0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	184	184	105	56	23	
Trade and other receivables	646	646	646			
Cash and cash equivalents	1 864	1 864	1 864			
Non-interest-bearing loans to subsidiaries	353	353	353			
Interest-bearing loans to subsidiaries	7 338	7 851	6 341	461	752	297
Treasury facilities with subsidiaries at amortised cost	4 887	4 887	4 887			
Total financial assets	15 272	15 785	14 196	517	775	297
Percentage profile (%)		100	90	3	5	2
Financial liabilities						
Interest-bearing borrowings	(8 801)	(9 401)	(6 455)	(1 355)	(1 591)	
Trade and other payables	(200)	(200)	(200)			
Overdraft	(17)	(17)	(17)			
Non-interest-bearing loans from subsidiaries ¹	(8 672)	(8 672)	(8 672)			
Treasury facilities with subsidiaries at amortised cost	(7 399)	(7 399)	(7 399)			
Total financial liabilities	(25 089)	(25 689)	(22 743)	(1 355)	(1 591)	
Percentage profile (%)		100	89	5	6	
Liquidity gap identified ²	(9 817)	(9 904)	(8 547)	(838)	(816)	297

¹ The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.

² The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. Exxaro is in the process of refinancing its loan facility.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company				
	Carrying amount Rm	Contractual cash flows Rm	Maturity		
At 31 December 2019			0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm
Financial assets					
ESD loans	206	206	82	65	59
Trade and other receivables	630	630	630		
Cash and cash equivalents	1 649	1 649	1 649		
Non-interest-bearing loans to subsidiaries	359	359	359		
Interest-bearing loans to subsidiaries	7 060	8 358	761	3 192	4 405
Treasury facilities with subsidiaries at amortised cost	4 038	4 038	4 038		
Total financial assets	13 942	15 240	7 519	3 257	4 464
Percentage profile (%)		100	49	21	30
Financial liabilities					
Interest-bearing borrowings	(7 041)	(8 288)	(716)	(3 170)	(4 402)
Contingent consideration	(191)	(191)	(191)		
Deferred consideration	(307)	(307)	(307)		
Trade and other payables	(177)	(177)	(177)		
Overdraft	(976)	(976)	(976)		
Non-interest-bearing loans from subsidiaries ¹	(8 452)	(8 452)	(8 452)		
Treasury facilities with subsidiaries at amortised cost	(5 448)	(5 448)	(5 448)		
Total financial liabilities	(22 592)	(23 839)	(16 267)	(3 170)	(4 402)
Percentage profile (%)		100	68	13	19
Liquidity gap identified ²	(8 650)	(8 599)	(8 748)	87	62

¹ The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.

² The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management

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

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

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

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

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

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of ECLs in respect of trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month ECL component that results from possible default events within the 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

16.3.3.4.1 Exposure to credit risk

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

Detail of the trade receivables credit risk exposure:

	Group	
	2020 %	2019 %
At 31 December		
By geographical area		
RSA	72	65
Europe	16	17
Asia	12	16
USA		2
Total	100	100
By industry		
Public utilities	57	53
Mining	6	38
Manufacturing	1	1
Merchants	30	1
Food and beverage	1	1
Steel	4	3
Structural metal		2
Cement		1
Other	1	
Total	100	100

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

Detailed impairment analysis of financial assets measured at amortised cost:

At 31 December 2020	Group			
	Total Rm	Performing Rm	Under-performing Rm	Non-performing Rm
ESD loans	184	184		
– Non-current – gross	79	79		
– Current – gross	106	106		
– Current – impairment allowances	(1)	(1)		
Other financial assets at amortised cost	657	657		
– Non-current – gross	598	598		
– Non-current – impairment allowances	(5)	(5)		
– Current – gross	69	65		4
– Current – impairment allowances	(5)	(1)		(4)
Lease receivables ¹	59	59		
– Non-current – gross	54	54		
– Non-current – impairment allowances	(1)	(1)		
– Current – gross	6	6		
Trade receivables	2 698	2 568	15	115
– Gross	2 793	2 583	15	195
– Impairment allowances	(95)	(15)		(80)
Other receivables	129	100	1	28
– Gross	153	100	1	52
– Impairment allowances	(24)			(24)
Cash and cash equivalents	3 196	3 196		
Financial assets included in non-current assets held-for-sale	186	38	139	9
– Trade receivables	29	26		3
– Other receivables	10	4		6
– Cash and cash equivalents	8	8		
– Loans to associates: Tumelo	139		139	
Current – gross	170		170	
Current – impairment allowances	(31)		(31)	
Total financial assets at amortised cost	7 109	6 802	155	152

¹ Lease receivables are within the scope of the impairment requirements of IFRS 9.

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

At 31 December 2019	Group			
	Total Rm	Performing Rm	Under-performing Rm	Non-performing Rm
Loans to associates and JVs	133		133	
– Current – gross	182		182	
– Current – impairment allowances	(49)		(49)	
ESD loans	206	206		
– Non-current – gross	124	124		
– Current – gross	83	83		
– Current – impairment allowances	(1)	(1)		
Other financial assets at amortised cost	333	333		
– Non-current – gross	279	279		
– Non-current – impairment allowances	(3)	(3)		
– Current – gross	63	58		5
– Current – impairment allowances	(6)	(1)		(5)
Lease receivables ¹	67	67		
Trade receivables	2 928	2 850	65	13
– Gross	3 023	2 855	66	102
– Impairment allowances	(95)	(5)	(1)	(89)
Other receivables	313	240	6	67
– Gross	464	240	6	218
– Impairment allowances	(151)			(151)
Cash and cash equivalents	2 695	2 695		
Total financial assets at amortised cost	6 675	6 391	204	80

¹ Lease receivables are within the scope of the impairment requirements of IFRS 9.

At 31 December 2020	Company		
	Total Rm	Performing Rm	Non-performing Rm
ESD loans	184	184	
– Non-current – gross	79	79	
– Current – gross	106	106	
– Current – impairment allowances	(1)	(1)	
Other financial assets at amortised cost			
– Current – gross	4		4
– Current – impairment allowances	(4)		(4)
Other receivables	7	7	
– Gross	11	7	4
– Impairment allowances	(4)		(4)
Indebtedness to subsidiaries	639	639	
– Gross	720	720	
– Impairment allowances	(81)	(81)	
Non-interest-bearing loans to subsidiaries	353	353	
– Current – gross	425	360	65
– Current – impairment allowances	(72)	(7)	(65)
Interest-bearing loans to subsidiaries	7 338	7 338	
Treasury facilities with subsidiaries at amortised cost	4 887	4 887	
Cash and cash equivalents	1 864	1 864	
Total financial assets at amortised cost	15 272	15 272	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

At 31 December 2019	Company		
	Total Rm	Performing Rm	Non-performing Rm
ESD loans	206	206	
– Non-current – gross	124	124	
– Current – gross	83	83	
– Current – impairment allowances	(1)	(1)	
Other financial assets at amortised cost			
– Current – gross	5		5
– Current – impairment allowances	(5)		(5)
Other receivables	15	15	
– Gross	26	15	11
– Impairment allowances	(11)		(11)
Indebtedness to subsidiaries	615	615	
Non-interest-bearing loans to subsidiaries	359	359	
– Current – gross	421	360	61
– Current – impairment allowances	(62)	(1)	(61)
Interest-bearing loans to subsidiaries	7 060	7 060	
Treasury facilities with subsidiaries at amortised cost	4 038	4 038	
Cash and cash equivalents	1 649	1 649	
Total financial assets at amortised cost	13 942	13 942	

16.3.3.4.2 Trade and other receivables age analysis

At 31 December 2020	Group					
	Total Rm	Current		Past due		
		1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm	>180 days Rm
Trade receivables	2 698	2 516	68	111		3
– Gross	2 793	2 530	69	112		82
– Impairment allowances	(95)	(14)	(1)	(1)		(79)
Other receivables	129	98	2	1		28
– Gross	153	98	2	2	7	44
– Impairment allowances	(24)			(1)	(7)	(16)
Total carrying amount of trade and other receivables	2 827	2 614	70	112		31

At 31 December 2019	Group					
	Total Rm	Current		Past due		
		1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm	>180 days Rm
Trade receivables	2 928	2 806	94	19	5	4
– Gross	3 023	2 811	95	19	9	89
– Impairment allowances	(95)	(5)	(1)		(4)	(85)
Other receivables	313	238	5	3		67
– Gross	464	239	5	3	124	93
– Impairment allowances	(151)	(1)			(124)	(26)
Total carrying amount of trade and other receivables	3 241	3 044	99	22	5	71

CHAPTER 16:

Financial instruments continued

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.2 Trade and other receivables age analysis continued

	Company				
	Current			Past due	
	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm
At 31 December 2020					
Other receivables	7	5	1	1	
– Gross	11	5	1	1	4
– Impairment allowances	(4)				(4)
Indebtedness by subsidiaries	639	639			
– Gross	720	720			
– Impairment allowances	(81)	(81)			
Total carrying amount of trade and other receivables	646	644	1	1	

	Company			
	Current			Past due
	Total Rm	1 to 30 days Rm	31 to 60 days Rm	90 to 180 days Rm
At 31 December 2019				
Other receivables	15	13	2	
– Gross	26	13	2	11
– Impairment allowances	(11)			(11)
Indebtedness by subsidiaries	615	615		
Total carrying amount of trade and other receivables	630	628	2	

16.3.3.4.3 Credit quality of financial assets

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

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December				
Cash and cash equivalents				
Fitch ratings				
F1+	262	174	22	30
Standard & Poor's ratings				
A-1+	2 707	2 485	1 812	1 619
A-1	83	36		
BB-	30		30	
Global credit rating				
AA(za)	114			
Total cash and cash equivalents¹	3 196	2 695	1 864	1 649

¹ Excludes overdraft and cash and cash equivalents classified as non-current assets held-for-sale.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 RISK MANAGEMENT continued

16.3.3.4 Credit risk management continued

16.3.3.4.3 Credit quality of financial assets continued

Fitch ratings

F1 Highest credit quality

“+” denotes any exceptionally strong credit feature

Standard & Poor's

A-1+ Highest certainty of payment

A-1 Very high certainty of payment

BB- Speculative in nature with some exposure to risk

Global credit ratings

AA(za) Very strong financial security characteristics relative to other issuers in the same country

16.3.3.4.4 Collateral

No collateral was held by the group as security, nor any other enhancements over the financial assets during the years ended 31 December 2020 and 2019.

Guarantees

The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial years ended 31 December 2020 and 31 December 2019. The guarantees issued relate to operational liabilities (refer note 13.4 on contingent liabilities).

16.3.4 LOAN COMMITMENTS

Loan commitments have been granted to the following parties:

	Group		Company	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December				
Total loan commitment	981	1 206	731	706
Mafube ¹	250	500		
Insect Technology ²	731	706	731	706
Undrawn loan commitment	981	1 206	731	706
Mafube	250	500		
Insect Technology	731	706	731	706

¹ Revolving credit facility available for five years, ending 2023.

² A US\$50 million term loan facility available from 2020 to 2025 subject to certain conditions being met. On 31 January 2021 the term loan facility lapsed.

CHAPTER 17:

SUBSIDIARIES

165	17.1	Accounting policies relating to subsidiaries
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CHAPTER 17:

Subsidiaries

17.1 ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 DIVIDEND INCOME

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

17.1.2 SUBSIDIARIES

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

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

The company carries its investments in subsidiaries at cost, including transaction costs and initial fair value of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

For the company, when a business combination is achieved in stages, the acquisition date carrying value of the previously held equity interest is accumulated with the new equity interest acquired's cost.

Business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to Exxaro. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, Exxaro takes into consideration potential voting rights that are currently exercisable. The group also assesses existence of control where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de facto control.

De facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating activities.

17.1.2.1 Changes in ownership interest in subsidiaries without change in control

Transactions with NCLs that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on the acquisition of NCLs are also recorded in equity.

17.1.2.2 Disposal of subsidiaries

When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for purposes of subsequent accounting of the retained interest as an associate, JV or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in OCI are reclassified to profit or loss.

17.1.2.3 Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the years ended 31 December 2020 and 2019) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date
- Equity items are translated at historical rates
- Income, expenditure and cash flow items at weighted average rates
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

Exchange differences on translation are accounted for in OCI. These differences will be recognised in profit or loss upon realisation of the underlying operation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (ie the reporting entity's interest in the net assets of that operation), and of borrowing and other currency instruments designated as hedges of such instruments, are taken to OCI. When a foreign operation is sold, exchange differences that were recorded in OCI are recognised in profit or loss.

17.1.2.4 Investments in share-based payments

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes (refer chapter 14) granted to the subsidiaries' employees.

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

CHAPTER 17:

Subsidiaries continued

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

17.2.1 CONTROL ASSESSMENT FOR CONSOLIDATION OF SUBSIDIARIES

In applying IFRS 10 *Consolidated Financial Statements* management has applied judgement in assessing whether Exxaro has control over certain entities where the percentage shareholding does not provide control. Specifically:

(a) Eyesizwe

Exxaro has control over Eyesizwe even though the group only holds a 24.9% (2019: 24.9%) equity interest in Eyesizwe. Eyesizwe was created and designed for the sole purpose of providing Exxaro with BEE credentials and as a structure to hold Exxaro shares. The implementation of the Replacement BEE Transaction protects the stability of Exxaro's operations reinforcing the sustainability of relationships with key stakeholders, equips Exxaro for growth by positioning Exxaro with market-leading empowerment credentials in the South African mining sector and creates long-term value for shareholders.

Exxaro is able to direct the strategic direction of Eyesizwe and, as per the transaction agreements, Eyesizwe's Mol may not be amended or replaced without Exxaro's prior written consent. All these points indicate that Exxaro has been involved from the inception of the Replacement BEE Transaction, to ensure that the design and operation of Eyesizwe achieves the purpose for which it was created. Eyesizwe also cannot dispose of Exxaro shares without the prior consent of Exxaro. Exxaro has significant exposure to the variable returns of Eyesizwe, through the creation and maintenance of the BEE credentials during the lock-in period, as well as through the equity investment held by Exxaro in Eyesizwe. All these factors have been considered in determining that, even though Exxaro does not have majority voting rights in Eyesizwe, it still has control over Eyesizwe and consolidates the results of Eyesizwe in the group results of Exxaro.

(b) Mmakau Coal Proprietary Limited

The group has control over Mmakau Coal Mines Proprietary Limited even though the group's equity interest is only 49%. The group has provided all funding and carries the entire operational risk. Mmakau Mining Proprietary Limited holds the other 51% equity interest and is not exposed to any downside risk through its equity investment.

17.2.2 NON-CONTROLLING INTERESTS

As part of the Replacement BEE Transaction, implemented in 2017, Eyesizwe was incorporated and established as the empowerment vehicle to hold 30% of Exxaro shares. A portion of the 30% acquired interest was financed by means of an issue of Eyesizwe preference shares to various financial institutions. The shares held by Eyesizwe in Exxaro were provided as security for these preference shares.

The outstanding preference share obligation was settled early by Eyesizwe during October 2019 as a result of the dividends which were received from Exxaro. This resulted in Eyesizwe's other shareholders (IDC and Eyesizwe SPV Proprietary Limited) becoming true equity holders, as they are now exposed to both upside and downside risk in relation to the Exxaro shares.

From an Exxaro group perspective, this resulted in the recognition of NCIs for Eyesizwe's other shareholders. On initial recognition the NCI in Eyesizwe was recognised at the net asset value of the consolidated Eyesizwe results. Subsequent to initial recognition, the NCI share in the movement of profit or loss and other comprehensive income.

Refer note 8.2 and 8.3.2.5 concerning the treatment of pre-existing in-substance share options recognised as part of the Cennergi business combination.

17.3 TRANSACTIONS WITH SUBSIDIARIES

17.3.1 REVENUE

		Company	
For the year ended 31 December	Note	2020 Rm	2019 Rm
Corporate services rendered to the following subsidiaries of Exxaro:			
Exxaro Coal Proprietary Limited		1 219	1 471
Exxaro Coal Mpumalanga Proprietary Limited		368	483
Exxaro Coal Central Proprietary Limited		145	177
Other subsidiaries		33	33
Total revenue	6.1.2	1 765	2 164

17.3.2 DIVIDEND INCOME

For the year ended 31 December	Company	
	2020 Rm	2019 Rm
Cennergi Proprietary Limited	344	
Eyesizwe (RF) Proprietary Limited	225	461
Total dividend income	569	461

17.3 TRANSACTIONS WITH SUBSIDIARIES continued

17.3.3 NET FINANCE INCOME

For the year ended 31 December	Note	Company	
		2020 Rm	2019 Rm
Finance income	12.1.2	2 002	1 979
Interest income received from interest-bearing loans receivable		578	466
Interest income received from treasury facilities receivable		1 424	1 513
Finance costs	12.1.2	(1 308)	(1 364)
Interest expense on treasury facilities payable		(1 308)	(1 364)
Net finance income from investments in subsidiaries		694	615
Exxaro Coal Proprietary Limited		461	510
Exxaro Coal Mpumalanga Proprietary Limited		234	179
Exxaro Coal Central Proprietary Limited		(22)	(87)
Other subsidiaries		21	13

17.4 SUMMARY OF INVESTMENTS IN SUBSIDIARIES

	Company					
	Gross carrying amount		Accumulated impairment losses ¹		Net carrying amount	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December						
Unlisted subsidiaries equity shares	10 568	13 596	(2 744)	(4 872)	7 824	8 724
Share-based payments	566	563			566	563
Investments in subsidiaries	11 134	14 159	(2 744)	(4 872)	8 390	9 287
¹ Relates to:						
– Exxaro Australia Holdings Proprietary Limited			2 744	2 744		
– ECC ²				2 128		

² The accumulated impairment loss on ECC increased by R1 520 million to R3 648 million on 31 December 2020. The investment in ECC was reclassified to non-current assets held-for-sale (refer note 8.4) (net carrying amount reclassified of R869 million comprising R4 517 million gross carrying amount and R3 648 million accumulated impairment losses).

CHAPTER 17:

Subsidiaries continued

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company					
		Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	Note	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Indebtedness by subsidiaries							
Non-current		1 297	7 000			1 297	7 000
Interest-bearing loans receivable	10.3.2	1 297	7 000			1 297	7 000
Current		12 073	5 134	(153)	(62)	11 920	5 072
Interest-bearing loans receivable	10.3.2	6 041	60			6 041	60
Non-interest-bearing loans receivable ¹	10.3.2	425	421	(72)	(62)	353	359
Interest-bearing treasury facilities receivable	10.3.2	4 887	4 038			4 887	4 038
Indebtedness by subsidiaries ²	6.2.3	720	615	(81)		639	615
Total indebtedness by subsidiaries		13 370	12 134	(153)	(62)	13 217	12 072
Indebtedness to subsidiaries							
Current		(16 071)	(13 900)			(16 071)	(13 900)
Non-interest-bearing loans payable	12.1.7	(8 672)	(8 452)			(8 672)	(8 452)
Interest-bearing treasury facilities payable	12.1.7	(7 399)	(5 448)			(7 399)	(5 448)
Total indebtedness to subsidiaries		(16 071)	(13 900)			(16 071)	(13 900)
Net indebtedness to subsidiaries		(2 701)	(1 766)	(153)	(62)	(2 854)	(1 828)

¹ The impairment allowances on non-interest-bearing loans receivable relate to the following subsidiaries which have been fully impaired:

- Colonna Properties Proprietary Limited R1 million (2019: R1 million)
- Exxaro Mountain Bike Academy NPC R16 million (2019: R16 million)
- Gravelotte Iron Ore Company Proprietary Limited R49 million (2019: R45 million)

A further R6 million (2019: nil) impairment allowance has been recognised on non-interest-bearing loans receivable of other subsidiaries.

² The impairment allowance on indebtedness by subsidiaries relates to ECC R81 million (2019: nil).

Terms and conditions of indebtedness

Non-interest-bearing loans

The loans are unsecured, have no repayment terms and are repayable on demand.

Interest-bearing treasury facilities

Treasury facilities are unsecured, have no repayment terms and are repayable on demand. Interest is charged at money market rates.

Indebtedness (trade related)

Certain subsidiaries are charged corporate service fees which are repayable within 30 days.

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES continued

Terms and conditions of indebtedness continued

Interest-bearing loans receivable

Interest-bearing loans receivable, and their redemption profiles, comprise:

	Company					
	Acquisition loans receivable ¹		Back-to-back loans receivable ²		Net carrying amount	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At 31 December						
Back-to-back loans receivable						
Exxaro Coal Proprietary Limited			7 150	7 060	7 150	7 060
Acquisition loans receivable						
Exxaro Community NPC	137				137	
Exxaro ESOP SPV	51				51	
Total unsecured loans	188		7 150	7 060	7 338	7 060
Summary by financial year of redemption:						
Less than six months			41	60	41	60
Six to 12 months			6 000		6 000	
Between one and two years			411	2750	411	2 750
Between two and three years			55	3607	55	3 607
Between three and four years			643		643	
Between four and five years				643		643
More than five years	188				188	
Total unsecured loans	188		7 150	7 060	7 338	7 060

¹ Acquisition loans receivable

The acquisition loans receivable are unsecured, are repayable by no later than 10 years of the loan being granted and bear interest at a rate of 70% of Prime Rate.

² Back-to-back loans receivable

The back-to-back loans receivable have similar terms as agreed with external lenders (excluding the project financing) except for interest, which is charged based on 3-month JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the external borrowings, excluding the project financing.

The fixed margin percentage on the back-to-back loans is summarised as follows:

Revolving credit facility: 3.80% (2019: 3.80%)

Bullet term loan facility: 3.40% (2019: 3.40%)

Amortised term loan facility: 4.00% (2019: nil)

Bond R357 million: 1.65% (2019: 1.65%)

Bond R643 million: 1.89% (2019: 1.89%)

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES¹

¹ At 100% holding except where otherwise indicated.

² A – Acquisition, D – Deregistered, N – Formation of new entity, L – Liquidated, S – Sold, T – Reclassified to non-current assets held-for-sale (refer chapter 8 for details of changes in portfolio).

³ Country of incorporation: RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, NE – Netherlands, PRC – Peoples’ Republic of China, SW – Switzerland.

⁴ M – Mining, B – Property, C – Service, E – NPC, F – Farming, H – Holdings, I – Insuring, A – Manufacturing, P – Exploration, S – Structured entity, W – Water, MIC – Mines in closure, R – Renewable Energy.

⁵ Additional share capital was issued during 2020 and part of the loan was capitalised. The name was changed from Exaro Australia Iron Holdings Proprietary Limited.

⁶ Entity in process of liquidation or deregistration.

⁷ Part of the investment in Eviszwe (RF) Proprietary Limited has been sold to Exaro ESOP SPV (5%) and Exaro Community NPC (5%) (refer note 8.7).

Type of indebtedness	Total indebtedness receivable/(payable)			
	Total indebtedness by		(Total indebtedness to)	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-interest-bearing	35	31		
Non-interest-bearing	23			
Non-interest-bearing	215	219		
Total	352	228	(182)	(949)
– Treasury facility			(182)	(949)
– Current indebtedness	352	228		
Total	7 350	7 295	(7 217)	(4 499)
– Interest-bearing	7 150	7 060		
– Treasury facility			(7 217)	(4 499)
– Current indebtedness	200	235		
Interest-bearing	51			
Total	186	133		
– Treasury facility	180	126		
– Current indebtedness	6	7		
Non-interest-bearing	75	108		
Current indebtedness	2	1		
Interest-bearing	137			
Non-interest-bearing				
Non-interest-bearing			(1)	(1)
Treasury facility	233	194		
Non-interest-bearing	5	1		
Non-interest-bearing			(70)	(68)
Non-interest-bearing			(1 612)	(1 394)
	8 664	8 210	(9 082)	(6 911)

CHAPTER 17:

Subsidiaries continued

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES¹ continued

					Investment in subsidiaries								
					Portfolio changes in 2020		Investment in shares		Investment in share-based payments				
							2020 R	2019 R	2020 Rm	2019 Rm			
					Type ²	Date	Country ³	Nature of business ⁴					
INDIRECT INVESTMENTS													
Amakhala Emoyeni RF Proprietary Limited (95%)					A	1 Apr	RSA	R					
Coastal Coal Proprietary Limited							RSA	MIC			3	3	
Dorstfontein Coal Mines Proprietary Limited (74%)					T	31 Dec	RSA	M					
Exxaro Australia Proprietary Limited							AUS	M & P					
Exxaro Base Metals China Limited					L	30 Nov	HK	H					
Exxaro Base Metals International BV							NE	H					
Exxaro Coal Mpumalanga Proprietary Limited							RSA	M			264	274	
Exxaro International BV							NE	H					
Exxaro International Trading AG							SW	C			(1)		
Exxaro Reductants Proprietary Limited							RSA	A					
Forzando Coal Mines Proprietary Limited (74%)					T	31 Dec	RSA	M					
Ithemba Farm Proprietary Limited					T	31 Dec	RSA	F					
Matla and Arnot Rehabilitation Trust							RSA	S					
Mmakau Coal Proprietary Limited (49%)					T	31 Dec	RSA	P					
Newcastle Coal Mines Proprietary Limited					T	31 Dec	RSA	MIC					
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited							RSA	MIC					
Exxaro Employee Share Ownership Trust					N	27 Mar	RSA	S					
Jeka Mphamvu Proprietary Limited ⁵					A	1 Apr	RSA	R					
Tsitsikamma RF Proprietary Limited					A	1 Apr	RSA	R					
Total indirect investment in subsidiaries											266	277	
Total investment in subsidiaries									7 824 439 383	8 723 778 358	566	563	

¹ At 100% holding except where otherwise indicated.

² A – Acquisition, D – Deregistered, N – Formation of new entity, L – Liquidated, S – Sold, T – Reclassified to non-current assets held-for-sale (refer chapter 8 for details of changes in portfolio).

³ Country of incorporation: RSA – Republic of South Africa, AUS – Australia, HK – Hong Kong, NE – Netherlands, PRC – Peoples' Republic of China, SW – Switzerland.

⁴ M – Mining, B – Property, C – Service, E – NPC, F – Farming, H – Holdings, I – Insuring, A – Manufacturing, P – Exploration, S – Structured entity, W – Water, MIC – Mines in closure, R – Renewable Energy.

⁵ Entity is dormant.

Type of indebtedness	Total indebtedness receivable/(payable)			
	Total indebtedness by		(Total indebtedness to)	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Treasury facility	66	41		
Total	4 456	3 657		
– Treasury facility	4 378	3 513		
– Current indebtedness	79	144		
Non-interest-bearing			(6 989)	(6 989)
Treasury facility		145		
Treasury facility	30	19		
	4 553	3 862	(6 989)	(6 989)
	13 217	12 072	(16 071)	(13 900)

CHAPTER 17:

Subsidiaries continued

17.7 NON-CONTROLLING INTERESTS

17.7.1 COMPOSITION AND ANALYSIS OF NON-CONTROLLING INTERESTS

			Voting power of non-controlling interests	
Subsidiaries with non-controlling interests	Nature of business	Principal place of business	2020 %	2019 %
Subsidiaries with equity shareholders:				
Eyesizwe	BEE structured entity	Gauteng	75.14	75.14
Dorstonein	Mining	Mpumalanga	26.00	26.00
Tsitsikamma SPV ¹	Renewable energy	Eastern Cape	16.00	
Subsidiaries with share option holders:				
Tsitsikamma SPV	Renewable energy	Eastern Cape	9.00	
Amakhala SPV	Renewable energy	Eastern Cape	10.00	

¹ An in-substance share option held by an NCI of Tsitsikamma SPV was exercised in December 2020.

	Profit/(loss) allocated to NCI		OCI allocated to NCI		Dividends paid to NCI		Accumulated NCI	
	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Subsidiaries with equity shareholders:							9 197	8 111
Eyesizwe	2 118	289	(71)	(9)	(978)		9 828	8 758
Dorstonein	(175)	(29)					(823)	(647)
Tsitsikamma SPV							192	
Subsidiaries with share option holders:							143	
Tsitsikamma SPV							102	
Amakhala SPV							41	
Total NCIs	1 943	260	(71)	(9)	(978)		9 340	8 111

Movement analysis of NCI:	Note	NCI equity shareholders		NCI share option holders		Total NCI	
		2020 Rm	2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
At beginning of the year		8 111	(701)			8 111	(701)
Total comprehensive income		1 872	251			1 872	251
Share of profit for the year		1 943	260			1 943	260
Share of OCI for the year		(71)	(9)			(71)	(9)
Transactions with owners of subsidiary companies		(978)		(1)		(979)	
Dividends paid		(978)				(978)	
Distributions to NCI share option holders				(1)		(1)	
Changes in ownership interest		192	8 561	144		336	8 561
Acquisition of subsidiaries	8.3.2			147		147	
Initial recognition of NCI ¹		192	8 479	(3)		189	8 479
– Share option settlement price				115			
– Derecognise share option				(118)			
Loss on loss of control of subsidiary ²			82				82
At end of the year		9 197	8 111	143		9 340	8 111

¹ 2020: NCIs share of Tsitsikamma SPV's net asset value upon the exercise of the share option. 2019: NCI's share of Eyesizwe's net asset value upon the exercise of the option held by the BEE Parties.

² Derecognition of NCI reserve upon the loss of control of Tumelo.

17.7 NON-CONTROLLING INTERESTS continued

17.7.2 SUMMARISED FINANCIAL INFORMATION OF NON-CONTROLLING INTERESTS

The summarised financial information set out below relates to the subsidiaries in which the NCI share.

	Tsitsikamma SPV	Eyesizwe		Dorstfontein	
At 31 December	2020 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Statements of financial position					
Non-current assets	3 706	13 078	11 652	1 272	2 418
Current assets	194	3	5	162	131
Total assets	3 900	13 081	11 657	1 434	2 549
Non-current liabilities	2 641			4 451	4 866
Current liabilities	57	1	1	148	172
Total liabilities	2 698	1	1	4 599	5 038
Net assets/(liabilities)	1 202	13 080	11 656	(3 165)	(2 489)
Accumulated NCIs	192	9 828	8 758	(823)	(647)
		Eyesizwe ¹		Dorstfontein	
For the year ended 31 December		2020 Rm	2019 Rm	2020 Rm	2019 Rm
Statements of comprehensive income					
Revenue				1 190	1 324
Net operating loss		(2)		(755)	(75)
Income from equity-accounted investments		2 821	384		
Net finance costs				(113)	(36)
Income tax benefit				194	1
Profit/(loss) for the year		2 819	384	(674)	(110)
Other comprehensive loss		(96)	(11)		
Total comprehensive income/(loss) for the year		2 723	373	(674)	(110)
Profit/(loss) attributable to:		2 819	384	(674)	(110)
Owners of the parent		701	95	(499)	(81)
Non-controlling interests		2 118	289	(175)	(29)
Other comprehensive loss attributable to:		(96)	(11)		
Owners of the parent		(25)	(2)		
Non-controlling interests		(71)	(9)		
Total comprehensive income attributable to:		2 723	373	(674)	(110)
Owners of the parent		676	93	(499)	(81)
Non-controlling interests		2 047	280	(175)	(29)
Statements of cash flows					
Cash flows from operating activities		(1 303)		(305)	(212)
Cash flows from investing activities		1 301		(282)	(549)
Cash flows from financing activities				566	776
Net (decrease)/increase in cash and cash equivalents		(2)		(21)	15
Dividends paid to non-controlling interests:		(978)			
¹ The number of months in the year for which Eyesizwe summarised information is presented:		12	2		

CHAPTER 18:

COMPLIANCE

177	18.1	Basis of preparation
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CHAPTER 18:

Compliance

18.1 BASIS OF PREPARATION

18.1.1 STATEMENT OF COMPLIANCE

The group and company annual financial statements as at and for the year ended 31 December 2020 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of Exxaro Resources Limited (the company) and group of companies (the group), as well as the disclosures made in these annual financial statements comply with IFRS and IFRIC interpretations, effective for the financial year, as well as the SAICA Financial Reporting Guidelines (as issued by the Accounting Practices Committee), the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council), the Companies Act (applicable to companies reporting under IFRS) and the Listings Requirements.

18.1.2 BASIS OF MEASUREMENT

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments, share-based payments and biological assets. The annual financial statements are prepared on the going-concern basis.

The annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant, are disclosed within the relevant chapters.

The accounting policies applied for 2020 are consistent with those applied in 2019, except for the adoption of new or amended standards as set out below. In addition, hedge accounting has been adopted (refer note 16.3.3) following the Cennergi business combination.

18.1.3 BASIS OF CONSOLIDATION

The group annual financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries as those of a single entity.

18.1.4 JUDGEMENTS MADE BY MANAGEMENT

Judgements, apart from those involving estimates, have been made by management in the process of applying the accounting policies. Details of these judgements have been included within the relevant chapters.

18.1.5 KEY ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING ACCOUNTING POLICIES

Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.1.6 CARBON TAX

Following the enactment of the Carbon Tax Act No 15 of 2019, as amended, Exxaro has licensed each of its emissions generating facilities with SARS of which two subsidiaries only received their licences in February 2021. The group has accrued R5.4 million (R3.4 million for 2019) for Carbon tax which is payable on 29 July 2021.

18.1.7 IMPACT OF THE COVID-19 PANDEMIC ON FINANCIAL REPORTING

The COVID-19 pandemic developed rapidly in 2020, not only in the world, but South Africa specifically has seen a significant number of infections being reported. Measures to prevent transmission of the virus included limiting the movement of people, restricting flights and other travel, temporarily closing businesses and schools and cancelling of public events. This had an immediate impact on the economy of South Africa. Measures taken to contain the virus affected economic activity, which in turn had implications on the financial reporting.

The following key areas of financial reporting required specific attention for the year ended 31 December 2020:

Revenue recognition

Changes to terms of customer contracts and business practices during the COVID-19 pandemic were evaluated and found not to influence the recognition of revenue.

Inventory

Inventory has been evaluated and written down to the lower of cost and net realisable value. An amount of R9 million on the write-down of inventory from cost to net realisable value has been recognised for 2020.

CHAPTER 18:

Compliance continued

18.1 BASIS OF PREPARATION continued

18.1.7 IMPACT OF COVID-19 ON FINANCIAL REPORTING continued

Impairment of non-financial assets

Impairment testing was based on the latest budgets which incorporated changes in parameters and economic outlooks revised for the effect of COVID-19. As at 31 December 2020, the investment in Insect Technology was fully impaired (refer note 8.5).

Allowances for ECLs

When assessing the amount to be recognised for ECLs, management considered the impact that COVID-19 had on the risk of default as well as the expected loss rates. The trade and other receivables are categorised into the following categories corporate, public sector, as well as SMEs. Where additional risk was identified the credit ratings of each counterparty were reviewed and adjusted accordingly with a corresponding adjustment to the PD and LGD rates. Although these adjustments resulted in higher ECL multipliers the ECL amount recognised for 2020 was not significant as the trade and other receivables outstanding balance was 14% lower than 2019 and certain of the long outstanding other receivable debtors settled their debt during the year.

Taxation

Exxaro benefited from the following tax relief measures announced:

- A skills development levy holiday was granted to all businesses
- Carbon tax payments were deferred until 31 October 2020
- The implementation by SARS limiting the utilisation of tax losses and interest expense deductions has been postponed to 2022.

Going concern assessment

The going concern assessment was based on the latest budgets that incorporated changes in parameters and economic outlooks revised for the effects of COVID-19. Additional sensitivity analysis was performed as part of stress testing the going concern assumption. Exxaro also prudently increased its available borrowing facilities. The additional facility was available from 1 July 2020.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 NEW, AMENDED AND REVISED STANDARDS ADOPTED DURING 2020

Exxaro has adopted the following changes to standards and interpretations effective for the year commencing on 1 January 2020:

Standard	Key requirements
Definition of Materiality – amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> which: • use a consistent definition of materiality throughout IFRS and the Conceptual Framework for Financial Reporting, • clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole • The meaning of “primary users of general purpose financial statements”, by defining them as “existing and potential investors, lenders and other creditors” that must rely on general purpose financial statements for much of the financial information they need.
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • Increasing the prominence of stewardship in the objective of financial reporting • Reinstating prudence as a component of neutrality • Defining a reporting entity, which may be a legal entity, or a portion of an entity • Revising the definitions of an asset and a liability • Removing the probability threshold for recognition and adding guidance on derecognition • Adding guidance on different measurement basis • Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in OCI should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes were made to any of the current accounting standards.

18.2.2 NEW, AMENDED AND REVISED STANDARDS NOT YET ADOPTED

New accounting standards, amendments to accounting standards and interpretations issued which are relevant to the group, but not yet effective on 31 December 2020, have not been adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. The group continuously evaluates the impact of these standards and amendments. The effect of the implementation of the new, amended or revised standards are not expected to have a material impact, although assessments of the effect of the implementation of these new, amended or revised standards are ongoing.

18.3 RE-PRESENTATION OF COMPARATIVE INFORMATION

The group statement of comprehensive income (and related notes) for the year ended 31 December 2019 and the group statement of financial position (and related notes) at 31 December 2019 have been re-presented as a result of the investment in Black Mountain no longer meeting the criteria to be classified as a non-current asset held-for-sale and a discontinued operation due to the suspension of the sales process in December 2020.

The impact of the re-presentation of 2019 was as follows:

	Group		
	Previously presented	Re-presented	Impact
Statement of comprehensive income			
Share of income of equity-accounted investments (Rm)	4 641	4 693	52
Profit for the year from discontinued operations (Rm)	2 164	2 112	(52)
Attributable earnings per share			
Continuing operations			
– Basic (cents)	3 047	3 067	20
– Diluted (cents)	3 047	3 067	20
Discontinued operations			
– Basic (cents)	861	841	(20)
– Diluted (cents)	861	841	(20)
Statement of financial position			
Equity-accounted investments (Rm)	16 630	17 502	872
Non-current assets held-for-sale (Rm)	2 613	1 741	(872)

18.4 EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend are provided in note 5.5.

Subsequent to 31 December 2020, the following notable events have occurred:

Tronox SA flip-in

On 23 February 2021, Tronox Holdings plc exercised its “flip-in” call option over Exxaro’s 26% shareholding in Tronox SA, for which Tronox Holdings plc delivered 7 246 035 newly issued Tronox Holdings plc ordinary shares to Exxaro on 24 February 2021. With these additional Tronox Holdings plc ordinary shares, Exxaro owned 21 975 315 Tronox Holdings plc ordinary shares, representing approximately 14.6% of Tronox Holdings plc’s total outstanding voting shares.

Tronox Holdings plc disposal

On 24 February 2021, Exxaro announced the commencement of a public offering in the United States of up to 17 million ordinary shares in Tronox Holdings plc. Furthermore, Exxaro granted the underwriters a 30-day option to purchase up to 2.55 million additional Tronox Holdings plc ordinary shares from Exxaro at the public offering price, less underwriting discounts and commissions.

On 25 February 2021, Exxaro announced the pricing of its upsized offering of 19 108 970 Tronox Holdings plc ordinary shares at a public offering price of US\$18.25 per share for a total net proceeds of approximately US\$332 million (approximately R4.81 billion), after deducting underwriting discounts and commissions. In addition, Exxaro granted the underwriters a 30-day option to purchase up to an additional 2 866 345 Tronox Holdings plc ordinary shares (Option shares). Settlement was expected to occur on 1 March 2021. Subsequent to the sale, Exxaro’s ownership in Tronox Holdings plc would have reduced to the Option shares, which represented approximately 1.9% of Tronox Holdings plc outstanding voting shares.

On 2 March 2021, Exxaro announced that the underwriters fully exercised the Option. Following the disposal on 1 March 2021 Exxaro no longer owned any Tronox Holdings plc ordinary shares.

Exxaro has therefore concluded its stated strategy to monetise its stake in Tronox over time in the best possible manner taking into account prevailing market conditions. The funds from the disposal of the Tronox Holdings plc ordinary shares will be used to repay debt, invest in renewable energy projects and make distributions to shareholders in accordance with Exxaro’s capital allocation framework.

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report, not otherwise dealt with in this report.

ECC operation

On 8 April 2021, Exxaro signed a sale and purchase agreement with Overlooked Colliery Proprietary Limited who will acquire ECC. The purchase price of R871 million includes a deferred payment mechanism of R150 million dependent on ECC signing a third party coal supply agreement. The sale will only be effective once all conditions precedent to the sales agreement have been met.

CHAPTER 19:

ANNEXURES

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CHAPTER 19:

Annexures

ANNEXURE 1: SHAREHOLDER ANALYSIS

2.1 EXXARO PUBLIC AND NON-PUBLIC SHAREHOLDING 2020

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	27	0.118	108 687 898	30.29
Eyesizwe ¹	1	0.004	107 612 026	30.00
Kumba Management Share Trust	1	0.004	158 218	0.04
Directors	2	0.010		
– PA Koppeschaar ²			74 792	0.02
– MDM Mgojo ²			372 647	0.10
Subsidiary directors	23	0.100	470 215	0.13
Public shareholders	22 670	99.882	250 018 856	69.71
Total	22 697	100.000	358 706 754	100.00

¹ Includes indirect shareholding through Eyesizwe of the following directors:

– MDM Mgojo	4 671 041	1.30
– VZ Mntambo	4 448 839	1.24

² Includes direct and DBP shareholding.

2.2 REGISTERED SHAREHOLDER SPREAD

In accordance with the Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2020:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	20 033	88.26	3 520 218	0.98
1 001 to 10 000	1 701	7.50	5 521 218	1.54
10 001 to 100 000	691	3.04	23 632 371	6.59
100 001 to 1 000 000 shares	230	1.01	69 919 200	19.49
1 000 001 shares and above	42	0.19	256 113 747	71.40
Total	22 697	100.00	358 706 754	100.00

2.3 SUBSTANTIAL INVESTMENT MANAGEMENT AND BENEFICIAL INTERESTS ABOVE 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 3% or more (directly and indirectly) of the issued share capital as at 31 December 2020:

Shareholder spread	Number of holders	% of issued share capital
Investment management shareholdings		
Eyesizwe	107 612 026	30.00
PIC	39 451 167	11.00
Prudential Investment Managers	26 538 719	7.40
Coronation Asset Management Proprietary Limited	20 677 405	5.76
BlackRock Inc	11 060 668	3.08
Total	205 339 985	57.24
Beneficial shareholdings		
Eyesizwe	107 612 026	30.00
Government Employees Pension Fund	48 936 322	13.64
Total	156 548 348	43.64

CHAPTER 19:

Annexures

ANNEXURE 2: DEFINITIONS

ADJUSTED EARNINGS

Group core net profit after tax (excluding SIOC core equity-accounted income) less NCI of Exxaro subsidiaries (excluding NCI of Eyesizwe).

ATTRIBUTABLE CASH FLOW PER ORDINARY SHARE

Cash flow from operating activities after adjusting for participation of NCIs therein, divided by the weighted average number of ordinary shares in issue during the year.

CAPITAL EMPLOYED

Total equity plus net debt minus non-current financial assets minus other non-current assets.

CASH AND CASH EQUIVALENTS

Comprises cash on hand and current accounts in bank, net of bank overdraft, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

CURRENT RATIO

Current assets divided by current liabilities.

DIVIDEND COVER

Attributable earnings per ordinary share divided by dividends per ordinary share.

DIVIDEND YIELD

Dividends per ordinary share divided by closing share price per ordinary share.

EARNINGS PER ORDINARY SHARE

Attributable earnings basis

Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

FINANCING COST COVER

EBIT cover

Net operating profit before interest and tax, divided by net financing costs.

EBITDA cover

Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net loss or gain on disposal of assets and investments (including translation differences recycled to profit or loss), divided by net financing costs.

EFFECTIVE INTEREST RATE

The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

ANNEXURE 2: DEFINITIONS *continued*

GOOD LEAVERS

A participant whose employment with employer companies is terminated due to:

- (i) the participant's:
 - retrenchment
 - retirement
 - death
 - serious disability or incapacitation
 - promotion out of the relevant qualifying category; or
- (ii) the employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any terminations of employment by a participant with the employer companies.

HEADLINE EARNINGS

Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and NCIs impact on these adjustments.

HEADLINE EARNINGS YIELD

Headline earnings per ordinary share divided by the closing share price on the JSE.

INTEREST-BEARING DEBT

Sum of interest-bearing borrowings and lease liabilities: The calculations include the respective items classified as non-current assets and liabilities held-for-sale.

INVESTED CAPITAL

Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

MATERIALITY

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make, on the basis of those financial statements, which provide financial information about the reporting entity.

Materiality is determined on a case-by-case basis depending on the facts and circumstances pertaining to the item, transaction, adjustment, information or event (matter) taking into account both qualitative and quantitative factors.

NET ASSETS

Total assets less current liabilities and non-current liabilities less NCIs which equates to equity of owners of the parent (Exxaro).

NET DEBT OR CASH

Net debt or cash is calculated as the sum of interest-bearing borrowings, lease liabilities and overdraft less cash and cash equivalents. The calculations include the respective items classified as non-current assets and liabilities held-for-sale.

NET DEBT TO EQUITY RATIO

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

NET OPERATING PROFIT

Net operating profit or loss equals revenue less operating expenses, major once-off expense items and impairment charges, plus impairment reversals and major non-recurring income or expense items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss which relate to significant corporate activities.

CHAPTER 19:

Annexures continued

ANNEXURE 2: DEFINITIONS continued

NON-CORE ITEMS

Gains and losses on transactions adjusted in the calculation of headline earnings plus any other gains or losses relating to major non-recurring transactions or corporate actions, which is defined by management at each reporting period.

NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT

Interest-bearing debt divided by cash flow from operating activities before dividends paid.

OPERATING MARGIN

Net operating profit as a percentage of revenue.

OPERATING PROFIT

Operating profit or loss equals revenue less operating expenses before impairment charges or reversals and major non-recurring items.

OPERATING SEGMENTS

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources allocated to the segment and assess its performance; and for which discrete financial information is available.

RETURN ON CAPITAL EMPLOYED

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of average capital employed.

RETURN ON INVESTED CAPITAL

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average invested capital.

RETURN ON NET ASSETS

Net operating profit plus income from non-equity-accounted investments plus income from equity-accounted investments, as a percentage of the average net assets.

RETURN ON ORDINARY SHAREHOLDERS' EQUITY

Attributable earnings

Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

Headline earnings

Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

REVENUE PER EMPLOYEE

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

TOTAL ASSET TURNOVER

Revenue divided by average total assets.

WANOS IN ISSUE

The number of shares in issue at the beginning of the year increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the earnings of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

ANNEXURE 3: ADMINISTRATION

REGISTERED OFFICE

Exxaro Resources Limited
the conneXXion
263B West Avenue
Die Hoewes, Centurion, 0163
South Africa
Telephone +27 12 307 5000
Fax +27 12 323 3400

Company registration number: 2000/011076/06

JSE share code: EXX

ISIN code: ZAE000084992

ADR code: EXXAY

ACTING GROUP COMPANY SECRETARY

AK Mare (Inlexso Proprietary Limited)

INDEPENDENT EXTERNAL AUDITOR

PricewaterhouseCoopers Incorporated
4 Lisbon Lane
Waterfall City
Jukskei View, 2090

COMMERCIAL BANKERS

ABSA Bank Limited

CORPORATE LAW ADVISERS

Inlexso Proprietary Limited

SPONSOR

ABSA Bank Limited (acting through its Corporate and Investment Bank Division)
15 Alice Lane
Sandton, 2196
+27 11 895 6000

JOINT EQUITY SPONSOR

Tamela Holdings Proprietary Limited
+27 11 783 5027/4907

MEETING SCRUTINEERS

Izzy van Schoor
The Meeting Specialist (Proprietary) Limited
Meeting Facilitator
JSE Building
One Exchange Square
2 Gwen Lane
Sandown, 2196
PO Box 62043, Marshalltown, 2107 South Africa

PREPARED UNDER THE SUPERVISION OF:

PA Koppeschaar CA(SA)
SAICA registration number: 0038621

CHAPTER 19:

Annexures continued

ANNEXURE 4: SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and annual financial statements	April
Interim report for the six months ended 30 June	August
Distributions	
Final dividend declaration	March
Payment	April/May
Interim dividend declaration	August
Payment	September/October