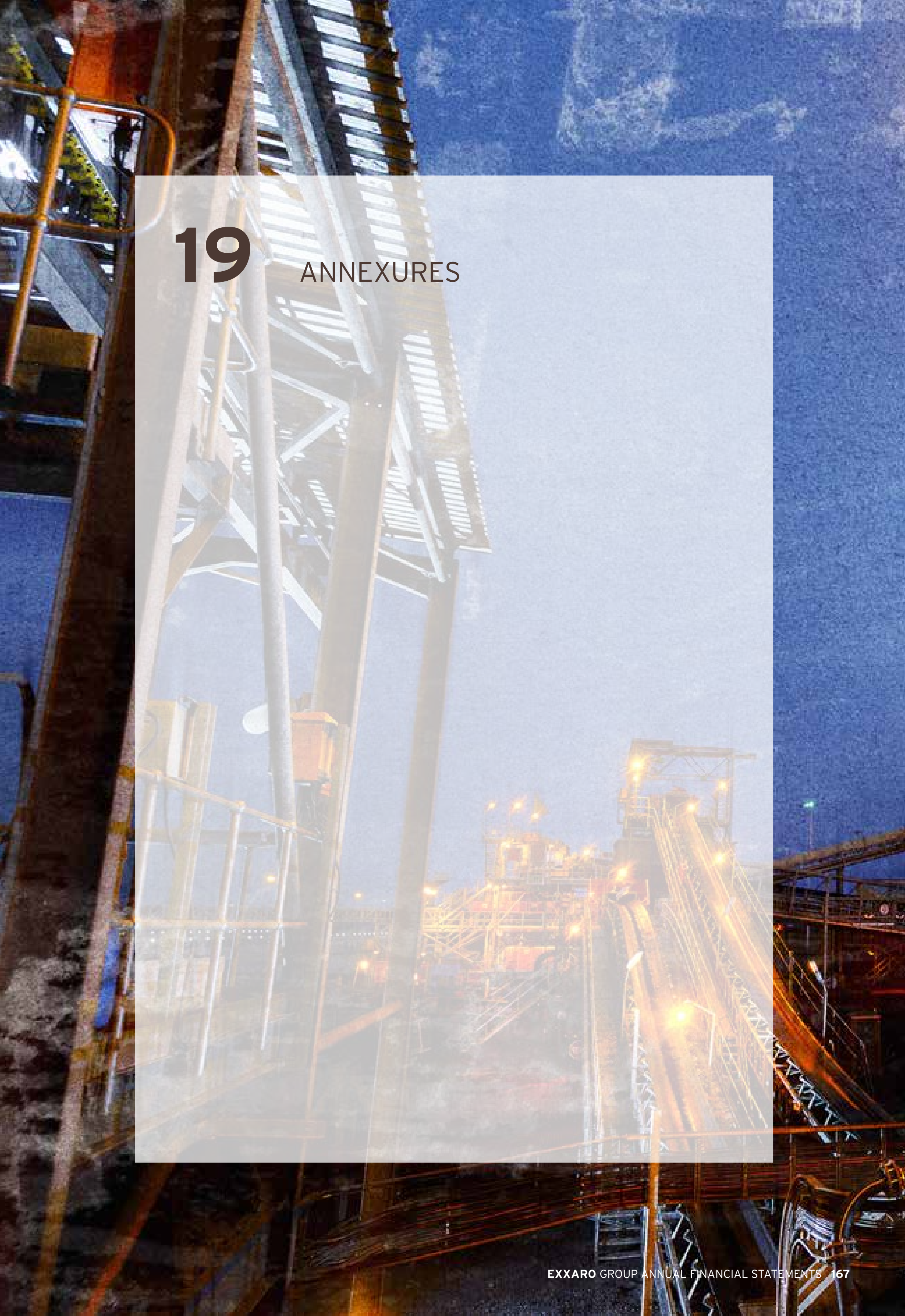

19 ANNEXURES

Annexure 1: Other accounting policies

Foreign currencies

The group annual financial statements are presented in South African rand, which is the company's functional and presentation currency. However, the group measures the transactions of each of its material operations using the functional currency determined for that specific entity, which, in most instances, is the currency of the primary economic environment in which the operation conducts its business.

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains or losses arising on translation are credited to or charged in profit or loss.

Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper inflationary economy at or for the year ended 31 December 2014 and 2013) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities at rates of exchange ruling at the reporting date
- Equity items are translated at historical rates
- Income, expenditure and cash flow items at weighted average rates
- Goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at the reporting date.

Exchange differences on translation are accounted for in other comprehensive income. These differences will be recognised in earnings upon realisation of the underlying operation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (ie the reporting entity's interest in the net assets of that operation), and of borrowing and other currency instruments designated as hedges of such instruments, are taken to other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in other comprehensive income are recognised in profit or loss as part of the gain or loss on disposal.

The average US dollar to South African rand conversion rate, where applicable, of US$1:R10,86 (2013: US$1:R9,48) has been used to translate the statement of comprehensive income and statement of cash flows while the statement of financial position has been translated at the closing rate at the last day of the reporting period US$1:R11,56 (2013: US$1:R10,44).

Business combinations

The group uses the acquisition method of accounting to account 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 non-controlling interest in the acquired subsidiary on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The group measures goodwill (refer note 11.3.1.1) at the acquisition date as:

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

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

Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The group applies the predecessor accounting method when accounting for common control transactions, whereby the assets and liabilities of the combining entities are not adjusted to fair value but are rather transferred at their carrying amounts at the date of the transaction. Any difference between the consideration paid/transferred and the net asset value 'acquired' is recognised in a separate reserve. No new goodwill is recognised as a result of the common control transaction. The statement of financial position and statement of comprehensive income is adjusted from the date of the transaction.

Stripping costs

Exxaro incurs stripping costs in the development and production phase of its mining operations.

Stripping costs incurred in the development phase of a mine are capitalised to the larger mining development asset and presented as a non-current asset. The mining development asset, including stripping costs, is subsequently depreciated by applying Exxaro's existing accounting policy for depreciation of assets in production.

Stripping costs incurred in the production phase are considered to result in two benefits, being ore that can be used to produce inventory and improved access to further quantities of ore that will be mined in future periods. Where the benefits are for ore that can be used to produce inventory, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits improve access to further quantities of ore to be mined in future periods, these costs are recognised as a non-current asset, if the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity
- The entity can identify the component of the ore body for which access has been improved
- The costs relating to the stripping activity associated with that component can be measured reliably.

If the above criteria are not met, the stripping costs incurred in the production phase are expensed and taken into account in determining the cost of inventories as applicable.

The stripping activity asset is accounted for as an addition to an existing asset (site preparation, mining development and rehabilitation asset), being the mineral properties, and is presented as part of property, plant and equipment in the statement of financial position. The stripping activity asset is initially measured at cost, being the accumulation of costs directly incurred to perform the stripping activity that improved access to the identified component of ore, plus an allocation of directly attributable overhead costs. Where incidental operations take place, at the same time as the production stripping activity, which are not necessary for the stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

When the costs of the stripping activity asset and the cost of inventory produced are not separately identifiable, the stripping costs are allocated between the inventory produced and the stripping activity asset by using a relevant production measure.

Subsequently, the stripping activity asset is carried at cost less accumulated depreciation and impairment losses, in the same way as the existing asset of which it is part. The stripping asset is depreciated by using the units of production method over the life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Annexure 2: Other notes to the statements of cash flows

	Group		Company	
	31 December 2014 Rm	2013 Rm	31 December 2014 Rm	2013 Rm
Investment in other non-current assets				
Decrease in loans to joint venture loans	185	308		
Decrease in non-current receivables	219	59		
Decrease in non-current financial assets	4	21		
Increase in non-current receivables	(1)			
Increase in environmental rehabilitation fund	(180)	(139)		
Increase in loans to joint venture loans	(13)	(10)		
Increase in non-current financial assets		(17)		
	214	222		

Annexure 3: Shareholder analysis

3.1 Exxaro public and non-public shareholding 2014

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	63	0,34	231 449 862	64,63
• Main Street 333 Proprietary Limited[1]	1	0,01	186 550 873	52,09
• Anglo South Africa Capital Proprietary Limited	1	0,01	34 730 282	9,70
• Kumba Management Share Trust	1	0,01	158 218	0,04
• Exxaro Employee Empowerment Share Trust	1	0,01	2 917 817	0,81
• Directors	6	0,07		
– D Konar			6 168	0,00
– CJ Fauconnier			48 500	0,01
– RP Mohring			1 000	0,00
– J van Rooyen			1 500	0,00
– WA de Klerk[2]			86 836	0,02
– SA Nkosi			72 440	0,02
• Subsidiary directors	44	0,24	6 876 228	1,92
Public shareholders	18 708	99,33	126 665 643	35,37
Total			358 115 505	100,00

1 *Includes indirect shareholding through Main Street 333 Proprietary Limited of the following directors:*		
– SA Nkosi	*9 633 100*	*2,69*
– S Dakile-Hlongwane	*488 763*	*0,14*
– VZ Mntambo	*5 529 881*	*1,54*
– NL Sowazi	*1 124 906*	*0,31*
– D Zihlangu	*2 818 552*	*0,79*

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

3.2 Registered shareholder spread

In accordance with the JSE Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2014:

Shareholder spread	Number of holders	Total shareholders %	Number of shares	Issued capital %
1 – 1 000 shares	15 866	84,52	3 997 820	1,12
1 001 – 10 000 shares	2 256	12,02	6 728 906	1,88
10 001 – 100 000 shares	489	2,61	16 074 093	4,49
100 001 – 1 000 000 shares	134	0,71	40 079 989	11,19
1 000 001 shares and above	26	0,14	291 234 697	81,32
Total	18 771	100,00	358 115 505	100,00

3.3 Substantial investment management and beneficial interests above 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held directly and indirectly equal to or in excess of 3% of the issued share capital as at 31 December 2014:

Investment management shareholdings	Total shareholding	%
Coronation Asset Management Proprietary Limited	60 453 971	16,88
Government Employees Pension Fund (Public Investment Corporation (PIC))	16 647 395	4,65
Total	77 101 366	21,53
Beneficial shareholdings		
Main Street 333 Proprietary Limited	186 550 873	52,09
Anglo South Africa Capital Proprietary Limited	34 730 282	9,70
PIC	21 056 361	5,88
Coronation Top20 Fund	11 619 733	3,24
Total	253 957 249	70,91

Annexure 4: Definitions

Attributable cash flow per ordinary share
Cash flow from operating activities after adjusting for participation of non-controlling interests therein divided by the weighted average number of ordinary shares in issue during the year.

Capital employed
Total equity plus net debt minus non-current financial asset.

Cash and cash equivalents
Comprise cash on hand and current accounts in bank, net of bank overdrafts, together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

Current ratio
Current assets divided by current liabilities.

Dividend cover
Attributable earnings per ordinary share divided by dividends per ordinary share.

Dividend yield
Dividends per ordinary share divided by the closing share price on the JSE Limited.

Earnings per ordinary share
- *Attributable earnings basis*
  Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue during the year.
- *Headline earnings basis*
  Headline earnings divided by the weighted average number of ordinary shares in issue during the year.

Effective interest rate
The rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

Financing cost cover
- EBIT – net operating profit before interest and tax divided by net financing costs
- EBITDA – net operating profit before interest, tax, depreciation, amortisation, impairment charges and net loss/gain on sale of investments and assets divided by net financing cost.

Good leavers
A participant whose employment with employer companies is terminated due to his:
- Retrenchment
- Retirement
- Employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any termination of employment by a participant with the employer companies
  - death
  - serious disability
  - serious incapacity
  - promotion out of the relevant qualifying category.

Headline earnings
Earnings attributable to owners of the parent (Exxaro) adjusted for profits and losses on items of a capital nature, recognising the tax and non-controlling interests impact on these adjustments.

Headline earnings yield
Headline earnings per ordinary share divided by the closing share price on the JSE.

Invested capital
Total equity, interest-bearing debt, non-current provisions and net deferred tax less cash and cash equivalents.

Net assets
Total assets less current and non-current liabilities less non-controlling interests which equates to equity of owners of the parent (Exxaro).

Net debt to equity ratio
Interest-bearing debt less cash and cash equivalents as percentage of total equity.

Net equity per ordinary share
Equity attributable to owners of the parent (Exxaro) divided by the number of ordinary shares in issue at the year end.

Non-recurring events
Events that appear on the financial results, which management deem to be once-off and are unlikely to happen regularly.

Number of years to repay interest-bearing debt
Interest-bearing debt divided by cash flow from operating activities before dividends paid.

Operating margin
Net operating profit as a percentage of revenue.

Operating profit per employee
Net operating profit divided by the average number of employees during the year.

Operating segments
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses; and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to the segment and assess its performance; and for which discrete financial information is available.

Reportable segments
Reportable segments are operating segments or aggregations of operating segments that meet specified criteria:

- Its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- The absolute measure of its reportable profit or loss is 10% or more of the greater of
  - (i) the combined reported profit of all operating segments that did not report a loss; and
  - (ii) the combined reported loss of all operating segments that reported a loss, or its assets are 10% or more of the combined assets of all operating segments.

Return on capital employed
Net operating profit plus income from non-equity accounted investments plus income from equity-accounted investments as a percentage of average capital employed.

Return on invested capital
Net operating profit plus income from non-equity accounted investments plus income from equity-accounted investments as a percentage of the average invested capital.

Return on net assets
Net operating profit plus income from non-equity accounted investments plus income from equity-accounted investments as a percentage of the average net assets.

Return on ordinary shareholders' equity
- *Attributable earnings*

  Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

- *Headline earnings*

  Headline earnings as a percentage of average equity attributable to owners of the parent (Exxaro).

Annexure 4: Definitions (continued)

Revenue per employee

Revenue divided by the average number of employees during the year.

Total asset turnover

Revenue divided by average total assets.

Weighted average number of shares (WANOS) in issue

The number of shares in issue at the beginning of the year, increased by shares issued during the year and treasury shares distributed to beneficiaries of employee share schemes, weighted on a time basis for the period in which they have participated in the income of the group.

In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.