

04

SEGMENTAL REPORTING



4.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

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

4.2 OPERATING SEGMENTS

The group has four reportable operating segments, as described below. These offer different products and services, and are managed separately based on commodity, location and support function grouping. The group executive committee reviews internal management reports on these strategic divisions at least quarterly. The following summary describes the operations in each of the group's reportable operating segments:

Coal

The coal operations are mainly situated in the Waterberg and Mpumalanga regions and are split between coal commercial operations and coal tied operations, a 50% joint venture interest in Mafube as well as a 9,37% effective equity interest in RBCT. The newly acquired controlling interest in TCSA, renamed ECC, forms part of the coal commercial operations (refer note 9.5). The coal operations produce SSCC, thermal and metallurgical coal.

Ferrous

The ferrous segment comprises the Mayoko iron ore project in the RoC (iron ore operating segment), a 19,98% equity interest in SIOC (located in South Africa) reported within the other ferrous operating segment as well as the FerroAlloys and Alloystream™ operations (collectively referred to as Alloys). Although the SIOC investment is an investment in an iron ore commodity company and the executive committee classifies the investment as a non-controlled business, it is classified within the other ferrous segment where investments and other are reviewed by the executive committee.

TiO₂ and Alkali chemicals

The TiO₂ and Alkali chemicals segment was previously referred to as TiO₂. It was renamed after the acquisition of the Alkali chemicals business by Tronox on 1 April 2015. Tronox now operates two vertically integrated divisions: TiO₂ and Alkali chemicals. Exxaro holds a 43,87% (2014: 43,98%) equity interest in Tronox and a 26% equity interest in Tronox SA (each of the South African-based operations), as well as a 26% member's interest in Tronox UK.

Other

This operating segment comprises the 50% investment in Cennergi (a South African joint venture with Tata Power), 26% equity interest in Black Mountain (located in the Western Cape province), an effective investment of 11,7% in Chifeng (located in the PRC) as well as the corporate office which renders services to customers.

4.2 OPERATING SEGMENTS (CONTINUED)

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

	Notes	Coal				Ferrous	
		Tied operations		Commercial operations		Iron ore	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
For the year ended 31 December							
Total revenue		3 835	4 577	14 258	11 601		
Inter-segmental revenue					(2)		
External revenue	7.1.2	3 835	4 577	14 258	11 599		
Segment net operating profit/(loss)		195	319	2 379	2 978	(292)	(6 100)
Interest income (external)	12.1.2	3	4	27	29		
Interest income from loans to joint ventures	12.1.2				5		
Finance lease interest income	12.1.2			11	9		
Interest expense (external)	12.1.2				(12)		
Amortisation of transaction costs	12.1.2						
Borrowing costs capitalised	12.1.2						
Unwinding of discount rate on rehabilitation cost	12.1.2	(63)	(69)	(154)	(112)		
Depreciation and amortisation	7.1.3	(24)	(43)	(927)	(734)		(8)
Impairment charges – goodwill	9.2			(1 524)			(1 020)
Impairment charges – non-current assets (excluding financial assets and goodwill)	9.2			(225)			(4 731)
Impairment charges – non-current financial assets	7.1.3						(21)
Write-off and impairment charges – trade and other receivables	7.1.3	(4)		(3)	(1)	11	(22)
Income tax (expense)/benefit	8.2	(17)	(53)	(1 115)	(751)		624
Share of income/(loss) from equity-accounted investments	10.2			251	268		
Cash generated by/(utilised in) operations	7.1.5	332	95	4 300	4 365	(285)	(75)
Capital expenditure (property, plant and equipment)	11.1.4			(2 313)	(2 576)		(352)
Increase in investment in intangible assets							
At 31 December							
Segment assets and liabilities							
Deferred tax	8.4	39	4	47	41		57
Investments in associates	10.3.1			1 919			
Investments in joint ventures	10.3.2			1 067	818		
External assets ¹		1 934	1 883	25 948	22 075	114	81
Assets		1 973	1 887	28 981	22 934	114	138
Non-current assets held-for-sale	9.4				303		
Total assets as per statement of financial position		1 973	1 887	28 981	23 237	114	138
External liabilities ²		1 775	1 523	5 179	3 723	286	139
Deferred tax ³	8.4	(30)	(71)	5 094	3 718	1	57
Current tax payable ³		(100)	10	145	5	3	5
Liabilities		1 645	1 462	10 418	7 446	290	201
Non-current liabilities held-for-sale	9.4			1 044	232		
Total liabilities as per statement of financial position		1 645	1 462	11 462	7 678	290	201

¹ Excluding deferred tax and investments in equity-accounted associates and joint ventures and non-current assets held-for-sale.

² Excluding deferred tax, current tax payable and non-current liabilities held-for-sale.

³ Deferred tax and current tax payable are offset per legal entity and tax authority.

Ferrous				TiO ₂ and Alkali chemicals		Other				Total	
Alloys		Other				Base metals		Other			
2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm	2015 Rm	2014 Rm
173	159		14 (14)					64	67 (1)	18 330	16 418 (17)
173	159							64	66	18 330	16 401
10	(97)	(24)	(41)				(1)	905	(350)	3 173	(3 292)
								61	33	91	66 5 9
								(546)	(311)	(546)	(323)
								(10)	(10)	(10)	(10)
								6	333	6	333
								(3)	(2)	(220)	(183)
(7)	(4)	(4)	(4)					(67)	(96)	(1 029)	(889)
			(9)						(202)	(225)	(1 020)
											(21)
(3)	23	6	90					(81)	(17)	(77)	(40)
								27	54	(1 102)	(13)
(38)	(64)	104 (74)	2 830 (109)	(1 503)	(568)	64	77	(53)	(92)	(1 137)	2 515
								291	(129)	4 526	4 083
(28)	(42)		(104)					(49)	(123)	(2 390)	(3 197)
								(34)	(25)	(34)	(25)
124	123	109 5 081	103 5 422	12 270	12 809	420	357	225	211	544	539
189	124	29	16			210	267	595	148	19 690	18 588
313	247	5 219	5 541 25	12 270	12 809	630	624	2 178	2 562	1 662	966
								2 998	2 921	30 602	27 008
								128		52 498	47 101
313	247	5 219	5 566	12 270	12 809	630	624	3 126	2 921	128	328
37 5	49 5	52	73					4 908	3 506	52 626	47 429
								1	23	12 237	9 013
									7	5 071	3 732
										48	27
42	54	52	73					4 909	3 536	17 356	12 772
										1 044	232
42	54	52	73					4 909	3 536	18 400	13 004

4.2 OPERATING SEGMENTS (CONTINUED)

In 2015 the group relied on one major customer for its revenue from the coal tied and coal commercial operations. The group received revenue from the external customer which accounted for at least 10% or more of the group's revenues (64% (2014: two customers with 13% and 53%)). The group total revenue amount from this major customer was R11 789 million (2014: R2 115 million and R8 627 million from the two customers respectively).

	For the year ended 31 December		At 31 December	
	External revenue		Carrying amount of non-current assets ¹	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
<i>Sourced from country of domicile</i>				
– South Africa	14 384	12 423	31 385	26 955
<i>Sourced from foreign countries</i>				
– Rest of Africa			4	
– Europe	3 369	2 715	1 441	1 337
– Asia	577	1 263		
– Australia			44	38
– United States of America			8 997	9 686
Total segment	18 330	16 401	41 871	38 016

¹ Excluding financial assets and deferred tax.

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

Total operating segment revenue, which excludes VAT, represents the gross value of goods invoiced, services rendered and includes operating revenues directly and reasonably allocable to the segments.

Revenue is recorded according to the relevant sales terms, when risks and rewards of ownership are transferred. (Refer note 7.1.1).

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

Segment net operating profit/(loss) equals segment revenue less segment expenses, impairment charges, plus impairment reversals and other income.

Segment operating expenses, assets and liabilities represent direct or reasonably allocable operating expenses, assets and liabilities.

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

There were no differences in the way segment profit or loss is measured in comparison to the previous year or between the reportable segments' profits or losses and the group's profit or loss.