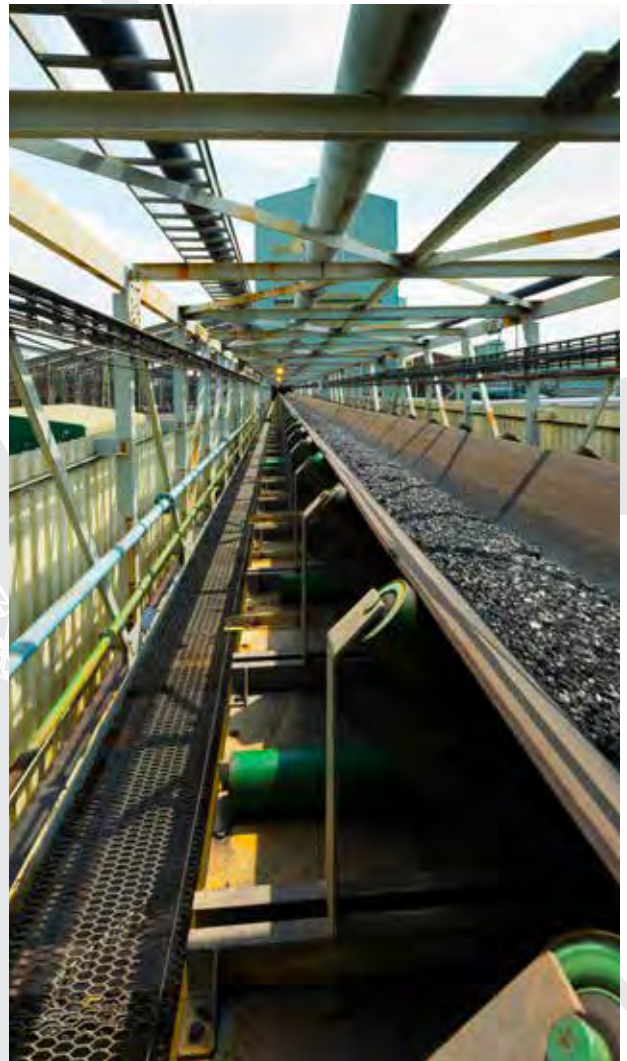


11

ASSETS



11.1 PROPERTY, PLANT AND EQUIPMENT
11.1.1 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.

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:

2015	Coal	Ferrous	Other
Land	Not depreciated	Not depreciated	Not depreciated
Mineral properties	1 – 25 years or 638k – 62,2Mt	7 – 25 years	n/a
Residential land	Not depreciated	Not depreciated	Not depreciated
Residential buildings	1 – 40 years	25 years	n/a
Buildings and infrastructure	1 – 40 years	10 – 25 years	3 – 25 years
Machinery, plant and equipment	13 000 – 50 000 hours or 1 – 40 years or 638k – 62,2Mt	1 – 15 years	1 – 20 years
Site preparation, mining development and rehabilitation	1 – 25 years or 638k – 62,2Mt	25 years	n/a
Assets under construction	Not depreciated	Not depreciated	Not depreciated

2014	Coal	Ferrous	Other
Land	Not depreciated	Not depreciated	Not depreciated
Mineral properties	1 – 25 years	7 – 25 years	n/a
Residential land	Not depreciated	Not depreciated	Not depreciated
Residential buildings	1 – 40 years	25 years	3 – 25 years
Buildings and infrastructure	1 – 40 years	3 – 40 years	3 – 25 years
Machinery, plant and equipment	13 000 – 50 000 hours or 1 – 40 years	1 – 15 years	1 – 10 years
Site preparation, mining development and rehabilitation	1 – 25 years	25 years	n/a
Assets under construction	Not depreciated	Not depreciated	Not depreciated

Maintenance and repairs which neither materially add to the value of assets nor prolong their useful lives are expensed through profit or loss, as well as gains and losses on the disposal of property, plant and equipment.

Expenses relating to major capital projects and site preparations are capitalised until the assets are brought to working condition for intended use and include dismantling and site restoration costs.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings was utilised. Capitalisation of borrowing costs ceases when the qualifying asset is substantially complete as intended by management. Qualifying assets within the group are assets that take a substantial period of time to get ready for intended use or sale.

Exploration cost

The group expences all exploration and evaluation costs until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not probable of being realised. In evaluating if expenditures meet the criteria to be capitalised, the directors utilise several sources of information depending on the level of exploration. While the criteria for determining capitalisation are 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 incurred by or on behalf of the group 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. The group capitalises development costs 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.

11.1.2 Property, plant and equipment

Group	Notes	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development and rehabilitation Rm	Assets under construction Rm	Total Rm
2015									
Gross carrying amount									
At beginning of year		264	3 618	643	2 576	16 088	262	5 070	28 521
Additions			2		195	1 297	25	926	2 445
Changes in decommissioning assets	13.2				(7)	(66)			(73)
Acquisition of subsidiaries	9.5	17	1 032		9	2	4		1 064
Borrowing costs capitalised	12.1.2							6	6
Disposals of items of property, plant and equipment					(4)	(335)	(7)		(346)
Net reclassification from/(to) non-current assets held-for-sale		20			(60)			(81)	(121)
Exchange differences on translation		6			3	162		275	446
Transfer to other assets								(1)	(1)
Transfer between classes		2	(1)	22	732	1 882	21	(2 658)	
At end of year		309	4 651	665	3 444	19 030	305	3 537	31 941
Accumulated depreciation									
At beginning of year		9	1 002	90	648	3 508	193	12	5 462
Charges for the year	7.1.3		79	10	122	778	26		1 015
Disposal of subsidiaries and other business operations									
Disposals of items of property, plant and equipment					(1)	(160)	(8)		(169)
Net reclassification to non-current assets held-for-sale					(18)				(18)
Transfer between classes				13		(1)		(12)	
Exchange differences on translation						5			5
At end of year		9	1 081	113	751	4 130	211		6 295
Impairment of assets									
At beginning of year			1 916		1	1 058		1 740	4 715
Charges for the year	9.2				78	143	4		225
Disposals of items of property, plant and equipment						(139)			(139)
Exchange differences on translation						159		274	433
At end of year			1 916		79	1 221	4	2 014	5 234
Net carrying amount at end of year		300	1 654	552	2 614	13 679	90	1 523	20 412

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)
11.1.2 Property, plant and equipment (continued)

Group	Notes	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development and rehabilitation Rm	Assets under construction Rm	Total Rm
2014									
Gross carrying amount									
At beginning of year		263	3 499	346	1 259	7 664	290	11 830	25 151
Additions		27			1	209		2 960	3 197
Changes in decommissioning assets	13.2				20	22		1	43
Disposal of subsidiaries and other business operations						(3)			(3)
Borrowing costs capitalised	12.1.2							333	333
Disposals of items of property, plant and equipment						(217)			(217)
Net reclassification to non-current assets held-for-sale		(25)							(25)
Exchange differences on translation		1	124			(22)	(32)	(21)	50
Transfer between classes		3		297	1 295	8 436	4	(10 035)	
Transfer (to)/from other assets		(5)	(5)		1	(1)			(10)
Other movements								2	2
At end of year		264	3 618	643	2 576	16 088	262	5 070	28 521
Accumulated depreciation									
At beginning of year			932	66	537	3 055	168	12	4 770
Depreciation charges	7.1.3	9	70	24	112	635	25		875
Disposal of subsidiaries and other business operations						(2)			(2)
Disposals of items of property, plant and equipment						(181)			(181)
Transfer between classes					(1)	1			
At end of year		9	1 002	90	648	3 508	193	12	5 462
Impairment of assets									
At beginning of year			39						39
Impairment charges	9.2		1 877		1	1 098		1 764	4 740
Exchange differences on translation						(40)		(24)	(64)
At end of year			1 916		1	1 058		1 740	4 715
Net carrying amount at end of year		255	700	553	1 927	11 522	69	3 318	18 344

Company	Notes	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
2015					
Gross carrying amount					
At beginning of year		8	710	211	929
Additions				49	49
Disposals of items of property, plant and equipment			(16)		(16)
Reclassification to non-current assets held-for-sale				(81)	(81)
Transfer between classes			80	(80)	
Transfer to other assets				(1)	(1)
At end of year		8	774	98	880
Accumulated depreciation					
At beginning of year		4	296		300
Charges for the year	7.1.3		61		61
Disposals of items of property, plant and equipment			(14)		(14)
At end of year		4	343		347
Net carrying amount at end of year		4	431	98	533
2014					
Gross carrying amount					
At beginning of year		8	640	221	869
Additions			15	107	122
Disposals of items of property, plant and equipment			(62)		(62)
Transfer between classes			117	(117)	
At end of year		8	710	211	929
Accumulated depreciation					
At beginning of year		3	264		267
Charges for the year	7.1.3	1	88		89
Disposal of items of property, plant and equipment			(56)		(56)
At end of year		4	296		300
Net carrying amount at end of year		4	414	211	629

11.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)
11.1.3 Capital commitments

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
At 31 December				
Capital expenditure contracted for plant and equipment	2 162	2 887	3	125
Capital expenditure authorised for plant and equipment but not contracted	1 376	2 160	46	403
Capital commitments include the group's share of capital commitments of associates and joint ventures	441	1 485		

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

11.1.4 Notes to the statements of cash flows relating to property, plant and equipment
11.1.4.1 Investments in property, plant and equipment to maintain operations

Replacement of property, plant and equipment	(1 640)	(1 380)	(49)	(122)
Reconditonal spares	(23)	(80)		
	(1 663)	(1 460)	(49)	(122)

11.1.4.2 Investments in property, plant and equipment to expand operations

Expansion and new technology	(727)	(1 737)		
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11.2 BIOLOGICAL ASSETS
11.2.1 Accounting policies relating to biological assets

Biological assets comprise plantation, livestock and game. They are measured at their fair value less estimated point-of-sale costs on initial recognition and at each financial year end. Any change in value is included in the net profit or loss for the period in which it arises.

The fair value of the plantations is determined annually by an independent appraiser.

The fair value of livestock is determined by the age and size of the animals and the market price. Market price is determined on the basis that the animal is sold to be slaughtered with reference to market prices of beef provided by an independent specialist. Livestock held-for-sale is classified as consumable biological assets (inventories).

The fair value of game is deemed to be the market price. Market price is determined with reference to the recent quoted field prices. Game earmarked for sale is classified as consumable biological assets (inventories).

11.2.2 Plantation, livestock and game

At 31 December	Plantation Rm	Livestock Rm	Game Rm	Total Rm
Group				
2015				
Reconciliation of carrying amount and Level 3 hierarchy				
At beginning of year	19	6	59	84
(Losses)/gains attributable to physical and price changes	(6)	2	(17)	(21)
Net reclassification to inventory	(3)	(1)	(8)	(12)
At end of year	10	7	34	51
Fair value of biological assets split:				
– Mature	9	7	34	50
– Immature ¹	1			1
2014				
Reconciliation of carrying amount and Level 3 hierarchy				
At beginning of year	19	5	48	72
Acquisitions			11	11
Gains attributable to physical and price changes	1	2	5	8
Net reclassification to inventory	(1)	(1)	(5)	(7)
At end of year	19	6	59	84
Fair value of biological assets split:				
– Mature	17	6	59	82
– Immature ¹	2			2

¹ Plantations are considered immature when less than three years old and not ready for harvesting.

Plantation, livestock and game are classified within Level 3 in terms of the fair value hierarchy as there are no quoted market prices or observable prices available.

There were no transfers between the fair value levels of the hierarchy during the 2015 year.

The plantation was valued by Mr Johannes Bezuidenhout, an independent appraiser, on 7 December 2015.

All biological assets are valued at the highest and best use values.

There were no changes to the valuation techniques of livestock and plantations in the current or prior financial years.

The valuation of the game was based on the national auction prices until 2014, but from 2015 the valuation is based on quoted field prices in the Lephalale area.

	2015	2014
Closing stock consist of:		
Plantation ¹ (hectares)	1 147	1 147
Livestock ² (number)	1 535	1 636
Game ³ (number)	6 192	4 993

¹ Wattle and blue gum trees.

² Cattle and horses.

³ Rhino, buffalo, warthog, giraffe, ostrich and a variety of antelope.

Sensitivity

Changes in any of the unobservable inputs would result in a higher/(lower) fair value measurement.

11.2 BIOLOGICAL ASSETS (CONTINUED)
11.2.2 Plantation, livestock and game (continued)

			2015		2014	
Unobservable inputs			Range of inputs	Sensitivity analysis of a 10% increase in the inputs ² Rm	Range of inputs	Sensitivity analysis of a 10% increase in the inputs ² Rm
Plantation	Hectares (ha)	Ha increase	1 147	1	1 147	2
	Standing value per ha	Standing value increase	R765 to R20 806	1	R249 to R25 556	2
Livestock	Beef price per kg	Beef prices increase	R17,33 to R33,873	1	R20,59 to R34,22	1
	Number of animals	Number of animals increase	1 535	1	1 636	1
	Meat portion of total carcass weight	Carcass weight increase	84kg to 364kg	1	84kg to 364kg	1
Game	Quoted field prices per species	Field prices increase	R838 to R425 000	3		
	Auction prices per species	Auction prices increase			R317 to R427 000	4
	Capture, transport and insurance cost	Cost decrease			R96 to R128 100	(2)
	Number of animals	Number of animals increase	6 192	3	4 993	6

¹ Change in unobservable inputs will result in an increase in the fair value measurement.

² A 10% decrease in the respective inputs would have an equal but opposite effect, on the basis that all other variables remain constant.

Inter-relationships

Inter-relationships between unobservable inputs are not considered to have a significant impact within the range of reasonably possible alternative assumptions for both reporting periods.

11.3 INTANGIBLE ASSETS
11.3.1 Accounting policies relating to intangible assets

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise and the cost can be reliably measured.

Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets, except for goodwill, which are reviewed for impairment at every reporting period, and whenever events or circumstances indicate that the carrying amount may not be recoverable.

For intangible assets with finite useful lives, the amortisation method and period are reviewed annually and impairment testing is undertaken when circumstances indicate the carrying amounts may not be recoverable.

11.3.1.1 Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Refer note 9.1 for the policy on the measurement of goodwill at initial recognition.

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole. For the 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 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.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

11.3.1.2 Research

Research is defined as original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Expenditure on research activities is recognised in profit or loss as incurred.

11.3.1.3 Development

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and Exxaro intends to and has sufficient resources to complete the development and to use or sell the asset. The expenditure capitalised includes the cost of material, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing cost. Other development expenditure is recognised in profit or loss as it is incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

11.3.1.4 Patents and licences

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring the specific software to use. These cost are amortised over their estimated useful lives. Other intangible assets (consisting of intellectual property, rights and options) have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses.

11.3.1.5 Impairment of intangible assets

Intangible assets that have indefinite useful lives or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

11.3.1.6 Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate.

The estimated useful lives of items of intangible assets are:

	2015	2014
Patents and licences		
Options and rights	10 – 20 years	10 – 20 years
Software licences	1 – 10 years	1 – 5 years
Technology licences – intellectual property	25 years	25 years

11.3 INTANGIBLE ASSETS (CONTINUED)
11.3.2. Goodwill, patents and licences

At 31 December	Notes	Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Goodwill					
<i>Gross carrying amount</i>					
At beginning of year		1 020	953		
Acquisition of subsidiaries ¹		1 524			
Exchange differences			67		
At end of year		2 544	1 020		
<i>Accumulated impairment</i>					
At beginning of year		1 020			
Charge for the year	9.2	1 524	1 020		
At end of year		2 544	1 020		
Patents and licences²					
<i>Gross carrying amount</i>					
At beginning of year		294	258	277	245
Additions		34	30	32	26
Acquisition of subsidiaries		2			
Transfers from other assets			1		
Write-offs			(5)		
At end of year		36	22	27	15
<i>Accumulated amortisation</i>					
At beginning of year		22	9	15	3
Write-offs			(1)		
Charges for the year	7.1.3	14	14	12	12
At end of year		202	202	202	202
<i>Accumulated impairment</i>					
At beginning of year		202		202	
Charge for the year	9.2		202		202
At end of year		202	202	202	202
Net carrying amount at end of year					
		56	34	48	28

¹ 2015 Goodwill was allocated to ECC (refer notes 9.5 and 9.2). 2014 Goodwill was allocated to AKI with the acquisition in 2012.

² Includes software licences, intellectual property (which was impaired on 31 December 2014) and an option to receive specific quantities of water from the Eungella water pipeline (Australia) and the right to receive water from the Zeeland Water Treatment Works (Lephalale, South Africa).

11.4 FINANCIAL ASSETS
11.4.1 Accounting policies relating to financial assets
Dividend and interest income

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

Interest is recognised on the time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

Recognition, derecognition, classification, measurement and impairment of financial assets

The accounting policy for financial assets is disclosed in chapter 16, Financial instruments.

11.4.2 Income from financial assets

For the year ended 31 December	Notes	Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Dividends					
– Listed shares		1	4		
– Unlisted shares			5		
Total income from financial assets		1	9		

11.4.3 Financial assets

At 31 December	Notes	Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Environmental rehabilitation funds	16.2	1 329	826	17	16
Loans to joint ventures	10.3.2	105	83	60	60
Non-current receivables	16.2.2.8	803	522	219	129
Loan to BEE shareholder ¹	16.2	426		426	
Indemnification asset ²	9.5	1 044			
Investments	16.2	214	1 262		
– Available-for-sale		210	1 240		
– Fair value through profit or loss (KIO)		4	22		
Lease receivables		146	160		
Per statement of financial position		4 067	2 853	722	205
<i>Included in non-current assets held-for-sale</i>					
Environmental rehabilitation fund	9.4		73		
Total financial assets, including financial assets held-for-sale		4 067	2 926	722	205

¹ During 2015 Exxaro provided Main Street 333 with a loan. The loan is repayable by April 2017 and attracts interest at Prime plus 5%.

² The indemnification asset has arisen as a result of the business combination transaction. Refer note 9.5.

11.5 NET INVESTMENT IN FINANCE LEASE

11.5.1 Accounting policies relating to leased assets

11.5.1.1 Where the group is the lessee

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

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

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

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

11.5 NET INVESTMENT IN FINANCE LEASE (CONTINUED)
11.5.1 Accounting policies relating to leased assets (continued)
11.5.1.2 Where the group is the lessor

Portions of fixed property and leased property are leased or sub-leased out under operating leases. The fixed property is included in property, plant and equipment in the statement of financial position. Rental income in respect of operating leases with a fixed escalation clause is recognised on a straight-line basis over the lease term. All other rental income is recognised as it becomes due.

Leases are classified as finance leases based on an overall assessment of whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee.

The group recognises the long-term portion of the net investment in the finance lease, which is the aggregate of the minimum lease payments receivable discounted at the interest rate implicit in the lease as a financial asset, at the commencement of the lease. The short-term portion is included in other receivables. The leased asset is derecognised and depreciation ceases. Each lease payment received is allocated between the receivable and finance income. The interest element is recognised in profit or loss over the lease period.

11.5.1.3 Contingent rent

The portion of the lease payments or receipts that is not fixed in amount but based on the future amount of a factor that changes other than with the passage of time, is classified as contingent rent and disclosed accordingly.

11.5.2 Net investment in finance lease

At 31 December	Notes	Group	
		2015 Rm	2014 Rm
Total gross investment in finance lease		160	174
– Not later than one year		14	14
– Later than one year but not later than five years		56	56
– Later than five years		90	104
Less: Unearned finance income	12.1.7	(77)	(88)
Present value of minimum lease payments receivable		83	86
– Not later than one year		3	3
– Later than one year but not later than five years		19	17
– Later than five years		61	66

The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro Coal Proprietary Limited will fund 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.