

12

FUNDING



12.1 DEBT
12.1.1 Accounting policies relating to net financing costs and interest-bearing borrowings
12.1.1.1 Borrowing costs, finance income and other financing expenses

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.

Finance income comprises interest income on cash and cash equivalents, finance leases and loans to joint ventures, as well as interest income on funds invested including available-for-sale financial assets and hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance expense comprises interest expense on borrowings, agreements for the use of assets (classified as finance leases), unwinding of the discount on provisions and amortisation of transaction costs.

12.1.1.2 Fees and commission

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

12.1.1.3 Loans and borrowings

The accounting policy in respect of loans and borrowings is disclosed in chapter 16, Financial Instruments.

12.1.2 Net financing costs

For the year ended 31 December	Notes	Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Total finance income		102	80	43	18
– Interest income		91	66	43	18
– Finance lease interest income		11	9		
– Interest income from loans to joint ventures			5		
Total finance costs		(770)	(183)	(558)	(322)
– Interest expense		(546)	(323)	(546)	(310)
– Unwinding of discount rate on rehabilitation cost	13.2	(220)	(183)	(2)	(2)
– Amortisation of transaction costs		(10)	(10)	(10)	(10)
– Borrowing costs capitalised ¹		6	333		
Total net financing costs		(668)	(103)	(515)	(304)
¹ Borrowing costs capitalisation rate		6,94%	6,69%		
<i>Included in interest income are:</i>					
– Interest income on unimpaired loans and receivables		30	13	26	9
– Interest income on cash and cash equivalents		34	26	17	8
– Interest income on financial assets designated at fair value through profit or loss		21	24		1
– Interest income on non-financial assets		6	3		
		91	66	43	18
<i>Included in interest expense are:</i>					
– Interest expense on financial liabilities measured at amortised cost		(490)	(280)	(490)	(279)
– Interest expense on bank overdrafts		(56)	(31)	(56)	(31)
– Interest on non-financial liabilities			(12)		
		(546)	(323)	(546)	(310)

12.1.3 Interest-bearing borrowings

At 31 December	Notes	Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Interest-bearing borrowings					
Summary of loans by financial year of redemption					
2015			34		34
2016 ¹		882	392	882	392
2017		1 274	874	1 274	874
2018		795	395	795	395
2019		1 317	917	1 317	917
2020 onwards		799	398	799	398
Total interest-bearing borrowings	16.2	5 067	3 010	5 067	3 010
– Current interest-bearing borrowings ²		882	34	882	34
– Non-current interest-bearing borrowings		4 185	2 976	4 185	2 976
¹ During the 2014 year, an addendum to the senior loan facility was signed extending the first capital repayment to 30 January 2016. At date of this report R500 million had been repaid.					
² The non-current portion includes the following amounts in respect of transaction costs that will be amortised using the effective interest rate method, over the term of the facilities.					
Overdraft					
Bank overdraft	16.2		67		66

The bank overdraft is repayable on demand and interest payable is based on current South African money market rates.

12.1 DEBT (CONTINUED)
12.1.4 Detailed analysis of interest-bearing borrowings

At 31 December	Senior loan facility			
	Term loan		Revolving facility	
	2015	2014	2015	2014
Aggregate nominal amount (Rm)	5 000	5 000	3 000	3 000
Issue date/draw down date	31 May 2012 and 24 February 2015	31 May 2012	24 April 2012	24 April 2012
Maturity date	30 June 2020	30 June 2020	30 June 2017	30 June 2017
Capital payments ¹	10 equal payments for the outstanding amount from 29 January 2016	10 equal payments for the outstanding amount from 29 January 2016	No fixed/determined payments, the total outstanding amount is payable on final maturity date	No fixed/determined payments, the total outstanding amount is payable on final maturity date
Duration (months)	97	97	62	62
Secured/unsecured	Unsecured	Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	1 000	3 000	3 000	3 000
Interest				
Interest payment basis	Floating rate	Floating rate	Floating rate	Floating rate
Interest payment period	Six months	Six months	One month	One month
Interest rate	JIBAR plus a margin of 275 basis points (2,75%)	JIBAR plus a margin of 275 basis points (2,75%)	JIBAR plus a margin of 250 basis points (2,50%)	JIBAR plus a margin of 250 basis points (2,50%)
Effective interest rates for the transaction costs	0,47%	0,47%	Not applicable	Not applicable
Rate of interest per year	9,38%	9,12%	9,26%	8,54%

There were no defaults or breaches in terms of interest-bearing borrowings during both reporting periods, except in respect of the dividend declaration financing covenant (ie net profit after tax to distribution covenant). The latter was as a result of the non-cash impairments. The group obtained approval from the providers of finance for the waiver of this covenant on the basis that the impairments are non-cash flow items, which approval was received.

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

DMTN Programme (Bond)

R480 million senior unsecured floating rate note

R520 million senior unsecured floating rate note

2015		2014		2015		2014	
	480		480		520		520
	15 May 2014		15 May 2014		15 May 2014		15 May 2014
	19 May 2017		19 May 2017		19 May 2019		19 May 2019
	No fixed/determined payments, the total outstanding amount is payable on final maturity date		No fixed/determined payments, the total outstanding amount is payable on final maturity date		No fixed/determined payments, the total outstanding amount is payable on final maturity date		No fixed/determined payments, the total outstanding amount is payable on final maturity date
	36		36		60		60
	Unsecured		Unsecured		Unsecured		Unsecured
	Not applicable		Not applicable		Not applicable		Not applicable
	Floating rate		Floating rate		Floating rate		Floating rate
	Three months		Three months		Three months		Three months
	JIBAR plus a margin of 170 basis points (1,70%)		JIBAR plus a margin of 170 basis points (1,70%)		JIBAR plus a margin of 195 basis points (1,95%)		JIBAR plus a margin of 195 basis points (1,95%)
	0,13%		0,13%		0,08%		0,08%
	8,29%		8,02%		8,55%		8,29%

12.1 DEBT (CONTINUED)
12.1.5 Net debt reconciliation¹

At 31 December	Notes	Group		Company	
		2015 Rm	2014 Rm	2015 Rm	2014 Rm
Net debt is presented by the following items on the face of the statement of financial position (excluding assets and liabilities held-for-sale):					
		(3 012)	(1 071)		
– Cash and cash equivalents		2 055	2 006		
– Non-current interest-bearing borrowings		(4 185)	(2 976)		
– Current interest-bearing borrowings		(882)	(34)		
– Overdraft			(67)		
Cash (outflow)/inflow from operating and investing activities:					
		(2 119)	2 280		
<i>Add:</i>					
– Non-cash flow movement for interest accrued not yet paid		(47)	(4)		
– Non-cash flow for amortisation of transaction costs		(10)	(10)		
– Translation differences of movements in cash and cash equivalents		235	40		
(Increase)/decrease in net debt		(1 941)	2 306		

¹ Non-IFRS measure.

12.1.6 Notes to the statements of cash flows relating to net financing costs paid

For the year ended 31 December

Interest received		54	59	7	9
Total finance income	12.1.2	102	80	43	18
Non-cash flow items:					
– Interest income not yet received		(37)	(12)	(36)	(9)
– Finance lease interest income adjustment		(11)	(9)		
Interest paid		(500)	(307)	(500)	(295)
Total finance costs	12.1.2	(770)	(183)	(558)	(322)
Non-cash flow items:					
– Unwinding of discount rate on rehabilitation cost	13.2	220	183	2	2
– Amortisation of transaction costs		10	10	10	10
– Borrowing costs capitalised		(6)	(333)		
– Finance cost capitalised to loan less finance costs paid and interest accrued not yet paid		46	16	46	15
Net financing cost paid		(446)	(248)	(493)	(286)

12.1.7 Financial liabilities

At 31 December

Finance lease	11.5.2	77	88		
Derivative financial liability ¹	16.2.1	39		39	
Total financial liabilities		116	88	39	

¹ Relates to the contingent consideration on the ECC business combination transaction (refer 9.5).

12.2 EQUITY
12.2.1 Accounting policy relating to share capital

Where any company within the Exxaro group of companies purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company'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 company'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

	Group		Company	
	2015 Rm	2014 Rm	2015 Rm	2014 Rm
At 31 December				
Share capital at par value				
Authorised				
500 000 000 ordinary shares of R0,01 each	5	5	5	5
Issued and fully paid				
358 115 505 (2014: 358 115 505) ordinary shares of R0,01 each	4	4	4	4
Share premium	2 971	2 971	2 971	2 971
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012 ¹	(530)	(566)		
Total	2 445	2 409	2 975	2 975

¹ These trusts have been consolidated.

	Group		Company	
	Number of shares		Number of shares	
	2015 '000	2014 '000	2015 '000	2014 '000
Reconciliation of authorised shares not issued				
Number of authorised unissued ordinary shares at beginning of year	144 961	145 027	141 884	141 884
Unissued shares	141 884	141 884	141 884	141 884
Treasury shares held by Kumba Resources Management Share Trust and Mpower 2012 ¹	3 077	3 143		
Treasury shares distributed by Mpower 2012 to good leavers	(186)	(66)		
Number of authorised unissued shares at end of year	144 775	144 961	141 884	141 884

Refer the notice of the AGM in the summarised group financial statements and notice of the annual general meeting 2015 for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming annual general meeting.

Refer statement of changes in equity (5.3 and 5.4) for details of movements in issued share capital.

12.2.3 Unlisted securities

Exxaro has no unlisted securities.

12.2.4 Share repurchases

No shares were repurchased by the company during 2015 or 2014.

12.2.5 Shareholder analysis

Refer chapter 19, Annexure 3 for the shareholder analysis.