FINANCIAL INDEX

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Directors' responsibility for financial reporting

TO THE MEMBERS OF KUMBA RESOURCES LIMITED

The directors of the company are responsible for maintaining adequate accounting records, the preparation of the annual financial statements of the company and group, and to develop and maintain a sound system of internal control to safeguard shareholders' investments and the group's assets. In presenting the accompanying financial statements, South African statements of Generally Accepted Accounting Practice and International Accounting Standards have been followed, applicable accounting policies have been used while prudent judgements and estimates have been made.

For the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit committee which consists of non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comment by the external auditors on the results of their audit conducted for the purpose of expressing their opinion, that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

As the directors have reviewed the group's financial budgets with their underlying business plans for the period to 30 June 2004, and in the light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

Against this background, the directors of the company accept responsibility for the annual financial statements, which were approved by the board of directors on 19 August 2003 and are signed on its behalf by

MLD Marole	**Dr CJ Fauconnier**	**DJ van Staden**
Chairman	*Chief Executive*	*Director*

The external auditors have audited the annual financial statements of the company and group and their unqualified report appears on page 86.

Certificate by company secretary

In terms of the Companies Act 61 of 1973 of South Africa, as amended, I, Marie Viljoen, in my capacity as company secretary, confirm that for the year ended 30 June 2003, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

M Viljoen
Company Secretary

19 August 2003

Report of the independent auditors

TO THE MEMBERS OF KUMBA RESOURCES LIMITED

We have audited the annual financial statements and the group annual financial statements of Kumba Resources Limited set out on pages 87 to 143 for the year ended 30 June 2003. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

SCOPE

We conducted our audit in accordance with statements of South African auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:
- examining on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

AUDIT OPINION

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and of the group at 30 June 2003 and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards, and in the manner required by the Companies Act 61 of 1973 of South Africa, as amended.

KPMG Inc

KPMG Inc.
Registered Accountants and Auditors
Chartered Accountants (SA)

Johannesburg
19 August 2003

Report of the directors

The directors have pleasure in presenting the annual financial statements for Kumba Resources Limited (Kumba) and the group for the year ended 30 June 2003.

NATURE OF BUSINESS

Kumba, incorporated in South Africa, is a mining group of companies focusing on extracting and processing a range of minerals and metals including iron ore, coal, heavy minerals, base metals and selected industrial minerals.

REGISTRATION DETAILS

Kumba is a listed company on the JSE Securities Exchange SA in the resource sector. The company registration number is 2000/011076/06. The registered office is Roger Dyason Road, Pretoria West, Pretoria, 0002, Republic of South Africa.

ACTIVITIES AND FINANCIAL RESULTS

Detailed reports on the activities and performance of the group and the various business operations are provided in the business operations review.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure for the year amounted to R1 386 million (2002: R1 085 million).

SHAREHOLDERS' RESOLUTIONS

At the second annual general meeting of shareholders, held on 18 November 2002, the following resolutions were passed:
- placing of unissued shares under the control of the directors subject to the conditions set out in note 16;
- granting of authority to directors to issue the unissued shares for cash; and
- granting of general authority to the company and its subsidiaries from time to time, being authorised thereto by their respective articles, to acquire in terms of sections 85 and 89 of the Companies Act and the listing requirements of the JSE Securities Exchange SA, shares issued by the company.

The group or its subsidiaries have passed no other special or ordinary shareholders' resolutions of material interest or of a substantive nature.

SHARE CAPITAL

The group did not issue any shares during the year.

SHAREHOLDERS

An analysis of shareholders and shareholding is provided in the shareholders' analysis.

DIVIDEND

Dividend number 2 of 60 cents per share has been declared in South African currency in respect of the year ended 30 June 2003. The dividend will be paid on Monday, 29 September 2003 to shareholders recorded in the books of the company at the close of business on 26 September 2003. To comply with the requirements of STRATE the last day to trade cum dividend is Thursday, 18 September 2003. The shares will commence trading ex dividend on Friday, 19 September 2003 and the record date is Friday, 26 September 2003.

No shares may be dematerialised or rematerialised between Friday, 19 September 2003 and Friday, 26 September 2003, both days inclusive.

INVESTMENTS AND SUBSIDIARIES

The financial information in respect of investments, and interests in subsidiaries of the company, is disclosed in annexures 2 and 3 to the financial statements.

During the year Kumba acquired the following investments:
- Ticor Limited (Ticor) (titanium dioxide company listed in Australia)
  Kumba increased its shareholding in Ticor to 50,12% thereby acquiring a controlling interest. Ticor has been consolidated effective from 1 April 2003. During June 2003 the group further increased its interest in Ticor to 51,38% by acquiring an additional 1,26%.
- Magnetic Minerals Limited (acquisition and exploration of mineral tenements prospectives)
  On 1 April 2003 Ticor acquired a controlling interest in Magnetic Minerals Limited resulting in the consolidation thereof from such date.
- ZnERGY (Proprietary) Limited (project for the production of zinc-air fuel cells)
  On 30 November 2002 the group acquired an additional 8,5% of the issued share capital of ZnERGY (Pty) Ltd. A further acquisition of 30% was made on 1 April 2003 bringing the interest of the group at 30 June 2003 to 85%.

Kumba announced on 28 July 2003 that it has disposed of its stake in Australian nickel miner Mincor Resources NL on 25 July 2003. The shares were sold for R103 million (AUD21 million) to a range of Australian and overseas financial institutions. The profit on the disposal will be reflected in the 2004 financial year. (Refer to annexure 2 for carrying amount at 30 June 2003.)

DIRECTORATE AND SHAREHOLDINGS

The names of the directors in office at the date of this report are provided in the annual report.

During the current financial year, the following retirement and appointment took place:

Mr HJ Smith	Retired	1 November 2002
Ms MLD Marole	Appointed chairman	1 November 2002

At the forthcoming annual general meeting, Ms MLD Marole, Messrs GS Gouws, AJ Morgan, BE Davison and Prof NS Segal will retire by rotation and, being eligible, will offer themselves for re-election.

INDEPENDENT AUDITORS

The auditors of the company, KPMG Inc, will continue in office in accordance with section 270(2) of the Companies Act, 1973, of South Africa.

Directors' remuneration

This report on remuneration and related matters covers issues which are the concern of the board as a whole in addition to those which were dealt with by the human resources and remuneration committee.

REMUNERATION POLICY

The human resources and remuneration committee have a clearly defined mandate from the board aimed at:

– ensuring that the company's chairman, directors and senior executives are fairly rewarded for their individual contributions to the company's overall performance; and

– ensuring that the company's remuneration strategies and packages, including the remuneration 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 company.

The human resource and remuneration committee considers and submits recommendations to the Kumba board concerning the fees to be paid to each non-executive director. Any changes to the fees will be approved by the board and submitted to the shareholders in a general meeting for approval prior to implementation and payment. The level of fees will among others be determined according to the median remuneration paid by comparable companies.

DIRECTORS' SERVICE CONTRACTS

Service contracts of executive directors are subject to one calendar month's notice. In terms of a retention arrangement implemented by the company, executive directors may become entitled to a severance package of one year's remuneration if their services are terminated before 1 July 2004. There are no restraints of trade associated with the contracts. Non-executive directors are not bound by service contracts.

SUMMARY OF REMUNERATION

	Basic salary	Fees for services	Performance bonus[1]	Gain share incentive[1]	Benefit and allowances[2]	Pension fund contributions	Medical fund contributions	Gains on share scheme[3]	Other	Total
FOR THE YEAR ENDED 30 JUNE 2003										
Executive directors										
Dr CJ Fauconnier	1 801 817		193 894		524 914		10 296		10 450	2 541 371
MJ Kilbride	1 080 404		125 117		421 005	123 356	10 296		7 145	1 767 323
CF Meintjes	1 026 742		111 393		309 971	110 027	10 296	121 344	6 887	1 696 660
DJ van Staden	1 044 872		115 120		336 563	114 377	10 296		6 633	1 627 861
RG Wadley	1 034 908		119 658		400 984	119 179			6 947	1 681 676
										9 314 891
Less gains on share scheme										(121 344)
Total remuneration paid by Kumba										9 193 547
Non-executive directors										
TL de Beer		167 000			3 766					170 766
JJ Geldenhuys		167 000			2 518					169 518
GS Gouws[4]		60 518			6 305					66 823
Dr D Konar		135 500			1 872					137 372
MLD Marole (Chairman)		144 833			2 256					147 089
AJ Morgan		104 000			546					104 546
SA Nkosi		72 500			1 695					74 194
Prof NS Segal		101 750								101 750
F Titi[4]		83 373			3 776					87 149
CML Savage		67 500								67 500
										1 126 707
FOR THE YEAR ENDED 30 JUNE 2002										
Executive directors										
Dr CJ Fauconnier	1 542 955		174 700	592 891	554 289		8 760	6 705 967	651	9 580 213
MJ Kilbride	942 207		113 354	384 697	418 589	109 928	8 760	1 166 278	651	3 144 464
CF Meintjes	901 162		101 416	344 182	316 318	98 238	8 760	1 921 031	651	3 691 758
DJ van Staden	907 061		103 629	351 692	336 987	102 504	8 760	1 407 523	651	3 218 807
RG Wadley	916 963		106 898	362 787	366 329	106 355		765 027	651	2 625 010
										22 260 252
Less gains on share scheme										(11 965 826)
Total remuneration paid by Kumba										10 294 426

SUMMARY OF REMUNERATION (continued)

	Basic salary	Fees for services	Performance bonus[1]	Gain share incentive[1]	Benefit and allowances[2]	Pension fund contributions	Medical fund contributions	Gains on share scheme[3]	Other	Total
Non-executive directors										
HJ Smith (Chairman)		90 000								90 000
TL de Beer		152 750								152 750
CT Fenton		65 250								65 250
JJ Geldenhuys		152 750								152 750
GS Gouws[4]		57 901								57 901
Dr D Konar		123 500								123 500
MLD Marole		94 250								94 250
AJ Morgan		94 250								94 250
SA Nkosi		60 000								60 000
Prof NS Segal		92 000								92 000
F Titi[4]		20 000								20 000
CML Savage		5 000								5 000
										1 007 651

1. The performance bonus and gain share incentive schemes were approved by the board. These incentives apply to all employees throughout the group.
2. Includes travel and entertainment allowances.
3. As set out on pages 90 and 91.
4. Fees paid to their respective employers and not to them as individuals.

Pensions paid or receivable by executive directors are paid or received under contributory pension schemes.

DIRECTORS' INTEREST IN KUMBA SHARES

	Beneficial Direct	Beneficial Indirect	Non-beneficial Direct	Non-beneficial Indirect
AS AT 30 JUNE 2003				
Executive directors				
Dr CJ Fauconnier	**96 870**	**103 750**		
MJ Kilbride	**28 990**			
CF Meintjes				
DJ van Staden	**18 490**			
RG Wadley	**47 870**			
Non-executive directors				
MLD Marole (Chairman)				
TL de Beer				
JJ Geldenhuys				
GS Gouws				
Dr D Konar				
AJ Morgan				
SA Nkosi				
Prof NS Segal				
F Titi		**843 799**		
CML Savage				
AS AT 30 JUNE 2002				
Executive directors				
Dr CJ Fauconnier	15 000			
MJ Kilbride	28 990			
CF Meintjes				
DJ van Staden	18 623			
RG Wadley	47 870			
Non-executive directors				
HJ Smith (Chairman)				
TL de Beer				
CT Fenton				
JJ Geldenhuys				
GS Gouws				
Dr D Konar				
MLD Marole				
AJ Morgan				
SA Nkosi				
Prof NS Segal				
F Titi		843 799		
CML Savage				

There has been no change to the interest of directors in share capital since the year-end.
On 30 June 2003 no director had direct or indirect interests of more than 1% in the share capital of the company.

Directors' remuneration (continued)

Directors' share options and restricted share awards

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

MANAGEMENT SHARE OPTION SCHEME

	Options held at year-end	Exercise price R	Exercisable period	Proceeds if exercisable at 30 June 2003 R	Pre-tax gain/(loss) if exercisable at 30 June 2003 R*
FOR THE YEAR ENDED 30 JUNE 2003					
Executive directors					
Dr CJ Fauconnier	307 520	28,05	2008/12/03	9 256 352	630 416
	65 440	35,00	2009/11/01	1 969 744	(320 656)
Total	372 960			11 226 096	309 760
MJ Kilbride	59 720	18,74	2010/07/25	1 797 572	678 419
	216 160	28,05	2008/12/03	6 506 416	443 128
	40 710	35,00	2009/11/01	1 225 371	(199 479)
Total	316 590			9 529 359	922 068
CF Meintjes	25 610	18,50	2009/01/04	770 861	297 076
	41 470	18,74	2010/07/25	1 248 247	471 099
	193 760	28,05	2008/12/03	5 832 176	397 208
	35 220	35,00	2009/11/01	1 060 122	(172 578)
Total	296 060			8 911 406	992 805
DJ van Staden	46 340	18,74	2010/07/25	1 394 834	526 422
	201 920	28,05	2008/12/03	6 077 792	413 936
	35 630	35,00	2009/11/01	1 072 463	(174 587)
Total	283 890			8 545 089	765 771
RG Wadley	209 280	28,05	2008/12/03	6 299 328	429 024
	39 020	35,00	2009/11/01	1 174 502	(191 198)
Total	248 300			7 473 830	237 826

** It is presumed that directors will not exercise options that result in a pre-tax loss.*
No options were exercised during the year ended 30 June 2003.

MANAGEMENT DEFERRED PURCHASE SHARE SCHEME – KUMBA SHARES

	Options held at year-end	Exercise price R	Exercisable period	Proceeds if exercisable at 30 June 2003 R	Pre-tax gain/(loss) if exercisable at 30 June 2003 R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
FOR THE YEAR ENDED 30 JUNE 2003										
Executive directors										
Dr CJ Fauconnier										
MJ Kilbride	16 780	11,75	2007/11/04	505 078	307 913					
CF Meintjes	5 120	18,50	2009/01/04	154 112	59 392	10 240	18,50	30,35	121 344	2003/05/27
DJ van Staden	51 510	10,00	2007/03/23	1 550 451	1 035 351					
	37 030	11,75	2007/11/04	1 114 603	679 501					
Total	88 540			2 665 054	1 714 852					
RG Wadley	61 890	8,42	2008/03/01	1 862 889	1 341 775					

MANAGEMENT SHARE OPTION SCHEME

	Options held at year-end	Exercise price R	Exercisable period	Proceeds if exercisable at 30 June 2002 R	Pre-tax gain/(loss) if exercisable at 30 June 2002 R
FOR THE YEAR ENDED 30 JUNE 2002					
Executive directors					
Dr CJ Fauconnier	307 520	28,05	2008/12/03	14 514 944	5 889 008
MJ Kilbride	59 720	18,74	2010/07/25	2 818 784	1 699 631
	216 160	28,05	2008/12/03	10 202 752	4 139 464
Total	**275 880**			**13 021 536**	**5 839 095**
CF Meintjes	25 610	18,50	2009/01/04	1 208 792	735 007
	41 470	18,74	2010/07/25	1 957 384	1 180 236
	193 760	28,05	2008/12/03	9 145 472	3 710 504
Total	**260 840**			**12 311 648**	**5 625 747**
DJ van Staden	46 340	18,74	2010/07/25	2 187 248	1 318 836
	201 920	28,05	2008/12/03	9 530 624	3 866 768
Total	**248 260**			**11 717 872**	**5 185 604**
RG Wadley	209 280	28,05	2008/12/03	9 878 016	4 007 712

** No options were exercised during the year ended 30 June 2002.*

MANAGEMENT DEFERRED PURCHASE SHARE SCHEME – KUMBA SHARES

	Options held at year-end	Exercise price R	Exercisable period	Proceeds if exercisable at 30 June 2002 R	Pre-tax gain/(loss) if exercisable at 30 June 2002 R	Options exercised during the year	Exercise price R	Sale price/ market price R	Pre-tax gain R	Date exercised
FOR THE YEAR ENDED 30 JUNE 2002										
Executive directors										
Dr CJ Fauconnier	65 620	11,75	2007/11/04	3 097 264	2 326 229	93 740	10,00	29,00	1 781 060	2001/12/05
	120 000	10,00	2007/03/23	5 664 000	4 464 000	26 260	10,00	28,97	498 152	2001/12/05
						43 740	11,75	28,97	753 203	2001/12/05
						4 300	10,00	48,50	208 550	2002/05/24
						15 000	10,00	48,60	729 000	2002/05/24
						5 700	10,00	48,70	277 590	2002/05/24
						10 000	10,00	50,75	507 500	2002/05/28
						10 000	10,00	51,00	510 000	2002/05/28
Total	**185 620**			**8 761 264**	**6 790 229**				**5 265 055**	
MJ Kilbride	16 780	11,75	2007/11/04	792 016	594 851					
CF Meintjes	15 360	18,50	2009/01/04	724 992	440 832	10 240	18,50	51,00	332 800	2002/06/05
DJ van Staden	51 510	10,00	2007/03/23	2 431 272	1 916 172					
	37 030	11,75	2007/11/04	1 747 816	1 312 714					
Total	**88 540**			**4 179 088**	**3 228 886**					
RG Wadley	61 890	8,42	2008/03/01	2 921 208	2 400 094					

Income statements

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
REVENUE		**7 469**	7 182	**8**	
Operating expenses	2	**(6 257)**	(5 499)	**91**	(18)
NET OPERATING PROFIT/(LOSS)		**1 212**	1 683	**99**	(18)
Net financing costs	3	**(244)**	(242)	**(182)**	(213)
Income from investments	4			**529**	196
Income from equity accounted investments	11	**2**	83		
Impairment charges	5	**(2)**	(101)		
Goodwill amortisation	10	**(21)**	26		
PROFIT/(LOSS) BEFORE TAXATION		**947**	1 449	**446**	(35)
Taxation	6	**(229)**	(465)	**(29)**	8
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES		**718**	984	**417**	(27)
Minority interest			(8)		
NET PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		**718**	976	**417**	(27)
RECONCILIATION OF HEADLINE EARNINGS					
Net profit attributable to ordinary shareholders		**718**	976		
Adjusted for:					
– impairment charges	5	**2**	101		
– share of associates goodwill amortisation	11	**38**	40		
– goodwill amortisation	10	**21**	(26)		
– share of associates exceptional items	11	**7**	12		
– net deficit on disposal or scrapping of property, plant and equipment		**(3)**	4		
Taxation effect of adjustments		**1**	(9)		
HEADLINE EARNINGS		**784**	1 098		
HEADLINE EARNINGS PER SHARE (CENTS)	7				
– basic		**264,0**	385,3		
– diluted		**262,2**	376,0		
ATTRIBUTABLE EARNINGS PER SHARE (CENTS)	7				
– basic		**241,8**	342,5		
– diluted		**240,1**	334,2		
Dividend paid per share (cents)		**85,0**			

Balance sheets
AT 30 JUNE 2003

	Notes	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	8	**8 205**	5 710	**38**	39
Intangible assets	9	**98**			
Goodwill	10	**(80)**	23		
Investments in associates and joint ventures	11	**118**	1 184	**93**	59
Investments in subsidiaries	12			**4 158**	3 732
Deferred taxation	20	**485**	423	**31**	12
Financial assets	13	**272**	212	**32**	29
Total non-current assets		**9 098**	7 552	**4 352**	3 871
Current assets					
Inventories	14	**1 369**	955		
Trade and other receivables	15	**1 355**	1 022	**78**	163
Cash and cash equivalents		**964**	679	**156**	341
Total current assets		**3 688**	2 656	**234**	504
Total assets		**12 786**	10 208	**4 586**	4 375
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	**2 680**	2 680	**2 680**	2 680
Non-distributable reserves		**230**	703	**113**	131
Retained income/(loss)		**2 011**	1 433	**151**	(21)
Ordinary shareholders' equity		**4 921**	4 816	**2 944**	2 790
Minority interest		**1 191**	487		
Total shareholders' interest		**6 112**	5 303	**2 944**	2 790
Non-current liabilities					
Interest-bearing borrowings	17	**2 801**	882	**1 032**	474
Other long-term payables	18	**388**	178		
Non-current provisions	19	**501**	389	**30**	25
Deferred taxation	20	**1 384**	1 204	**11**	1
Total non-current liabilities		**5 074**	2 653	**1 073**	500
Current liabilities					
Trade and other payables	21	**941**	1 050	**120**	235
Interest-bearing borrowings	17	**537**	940	**446**	853
Taxation		**94**	223	**3**	(3)
Current provisions	19	**28**	39		
Total current liabilities		**1 600**	2 252	**569**	1 085
Total equity and liabilities		**12 786**	10 208	**4 586**	4 375
Net debt		**2 374**	1 143	**1 322**	986

Cash flow statements

FOR THE YEAR ENDED 30 JUNE 2003

	Notes	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash retained from operations	22.1	**1 567**	2 522	**(68)**	67
Income from equity accounted investments	22.2	**49**	47		
Income from investments				**529**	196
Net financing costs	22.3	**(240)**	(236)	**(182)**	(212)
Dividends paid	22.4	**(286)**		**(252)**	
Normal taxation paid	22.5	**(310)**	(149)	**(32)**	
		780	2 184	**(5)**	51
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment to maintain operations	22.6	**(264)**	(303)	**(14)**	(6)
Investment to expand operations	22.7	**(1 122)**	(782)		
Proceeds from disposal of property, plant and equipment		**44**	25	**6**	
Investment in other non-current assets	22.8	**(36)**	(50)	**(108)**	409
Increase in cash resources on acquisition of a controlling interest in subsidiaries	23	**366**			
Acquisition of joint ventures and associates		**(34)**			
Foreign currency translations	22.9	**28**	(9)	**(37)**	98
		(1 018)	(1 119)	**(153)**	501
NET CASH (OUTFLOW)/INFLOW		**(238)**	1 065	**(158)**	552
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-current interest-bearing borrowings raised		**2 094**	406	**379**	(99)
Non-current interest-bearing borrowings repaid		**(1 241)**	(359)		
Current interest-bearing borrowings repaid		**(425)**	(706)	**(406)**	(278)
Proceeds from issuance of share capital			349		349
Increase in loans from minority shareholders		**95**			
		523	(310)	**(27)**	(28)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**285**	755	**(185)**	524
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**679**	(76)	**341**	(183)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**964**	679	**156**	341
CALCULATION OF MOVEMENT IN NET DEBT					
Net cash (outflow)/inflow		**(238)**	1 065		
Add:					
– shares issued			393		
– unbundling costs			(44)		
– cash flows included above relating to non-interest-bearing debt		**2**			
– loans from minority shareholders		**95**			
– increase in net debt on acquisition of a controlling interest in subsidiaries	23	**(891)**			
– non-cash flow movement in net debt applicable to special purpose entities		**(18)**			
– non-cash flow movements in net debt applicable to currency translation differences of transactions denominated in foreign currency		**(11)**			
– non-cash flow movements in net debt applicable to currency translation differences of net debt items of foreign entities	22.9	**(170)**	(16)		
(INCREASE)/DECREASE IN NET DEBT		**(1 231)**	1 398		

Group statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2003

			NON-DISTRIBUTABLE RESERVES					
	Share capital Rm	Share premium Rm	Attributable reserves of equity accounted investments Rm	Foreign currency translation Rm	Financial instruments revaluation Rm	Insurance reserve Rm	Retained income Rm	Total Rm
OPENING BALANCE AS AT 1 JULY 2001								
Unbundling			271	363	15		751	1 400
Net (losses)/gains not recognised in income statement[2]			(220)	204	52		(276)	(240)
Currency translation differences			(115)	204			(276)	(187)
Financial instruments fair value movements recognised in equity[1]			(105)		52			(53)
Net profit[2]							976	976
Issue of share capital	3	2 721						2 724
Unbundling costs		(44)						(44)
Transfer of equity accounted earnings			16				(16)	
Transfer to insurance reserve						2	(2)	
BALANCE AT 30 JUNE 2002	**3**	**2 677**	**67**	**567**	**67**	**2**	**1 433**	**4 816**
Net (losses)/gains not recognised in income statement[2]			**(18)**	**(414)**	**(6)**		**77**	**(361)**
Currency translation differences			**(19)**	**(414)**			**1**	**(432)**
Financial instruments fair value movements recognised in equity[1]								
– recognised in current year income					**(42)**			**(42)**
– recognised in equity					**57**			**57**
– fair value adjustment			**77**		**(21)**			**56**
Realised in associate and joint venture			**(76)**				**76**	
Net profit[2]							**718**	**718**
Dividend paid[3]							**(252)**	**(252)**
Transfer of equity accounted earnings			**(38)**				**38**	
Transfer to insurance reserve						**3**	**(3)**	
BALANCE AT 30 JUNE 2003	**3**	**2 677**	**11**	**153**	**61**	**5**	**2 011**	**4 921**
Dividends declared after balance sheet date (including STC)[4]							**(200)**	**(200)**
EFFECT OF DIVIDENDS DECLARED AFTER BALANCE SHEET DATE ON EQUITY	**3**	**2 677**	**11**	**153**	**61**	**5**	**1 811**	**4 721**

1. Attributable reserves of equity accounted investments includes share of associates' debt hedging reserve R nil million (2002: R105 million).

2. Total recognised gains and losses R357 million (2002: R736 million).

3. The group paid a dividend of R252 million during September 2002, the STC applicable was R32 million.

4. Dividend declared after balance sheet date amounts to 60 cents per share. STC at 12,5% is payable on all distributions to shareholders.

Company statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2003

	Share capital Rm	Share premium Rm	NON-DISTRIBUTABLE RESERVES Foreign currency translation Rm	NON-DISTRIBUTABLE RESERVES Financial instruments revaluation Rm	Retained income Rm	Total Rm
OPENING BALANCE AS AT 1 JULY 2001						
Unbundling			9		6	15
Net gains not recognised in income statement[1]			122			122
Currency translation differences			122			122
Net loss[1]					(27)	(27)
Issue of share capital	3	2 721				2 724
Unbundling costs		(44)				(44)
BALANCE AT 30 JUNE 2002	**3**	**2 677**	**131**		**(21)**	**2 790**
Net (losses)/gains not recognised in income statement[1]			**(11)**	**(7)**	**7**	**(11)**
Currency translation differences			**(11)**			**(11)**
Financial instruments fair value movements recognised in equity				**(7)**		**(7)**
Realised in joint venture					**7**	**7**
Net profit[1]					**417**	**417**
Dividend paid[2]					**(252)**	**(252)**
BALANCE AT 30 JUNE 2003	**3**	**2 677**	**120**	**(7)**	**151**	**2 944**
Investment income – dividend declared by subsidiaries after balance sheet date					**200**	**200**
Dividends declared after balance sheet date (including STC)[3]					**(200)**	**(200)**
EFFECT OF DIVIDENDS DECLARED AFTER BALANCE SHEET DATE ON EQUITY	**3**	**2 677**	**120**	**(7)**	**151**	**2 944**

1. Total recognised gains and losses R406 million (2002: R95 million).

2. The group paid a dividend of R252 million during September 2002, the STC applicable was R32 million.

3. Dividend per share amounts to 60 cents. STC at 12,5% is payable on all distributions to shareholders.

Notes to the annual financial statements

1. ACCOUNTING POLICIES

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies of the group and the disclosures made in the annual financial statements conform with South African Statements of Generally Accepted Accounting Practice and comply with International Accounting Standards effective for the group's financial year. The financial statements are prepared on the historical cost basis modified by the restatement of financial instruments to fair value.

Where comparative financial information is reported, the accounting policies have been applied consistently for all periods.

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. Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or the power to exercise control so as to obtain benefits from their activities.

The results of subsidiaries are included for the duration in which the group exercises control over the subsidiary. All inter-company transactions and resulting profits and losses between the 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 with the group.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

The results of special purpose entities that in substance are controlled by the group, are consolidated.

GOODWILL

Goodwill is reflected at cost less accumulated amortisation and accumulated impairment losses, if any. It represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets of that entity at the date of acquisition.

Goodwill is amortised using the straight-line method over its estimated useful life, which is assessed on an annual basis, not exceeding a period of 20 years.

Negative goodwill

Negative goodwill arising on an acquisition represents the excess of the fair value of the net identifiable assets acquired over the cost of acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired is recognised in the income statement over the weighted average useful life of the acquired depreciable/amortisable assets. Negative goodwill in excess of the fair values of non-monetary assets acquired is recognised immediately in the income statement.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to that entity.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the group has the ability to exercise significant influence, but which it does not control.

A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement. It may involve a corporation, partnership or other entity in which the group has an interest.

Investments in associates and joint ventures are accounted for in the group financial statements using the equity method for the duration in which the group has the ability to exercise significant influence or joint control. Equity accounted income represents the group's proportionate share of profits of these entities and the share of taxation thereon. The retained earnings net of any dividends are transferred to a non-distributable reserve. All unrealised profits and losses are eliminated.

Where necessary, the results of associates and joint ventures are restated to ensure consistency with group policies.

Notes to the annual financial statements (continued)

The group's interest in associates and joint ventures is carried in the balance sheet at an amount that reflects its share of the net assets and the unamortised portion of goodwill on acquisition. Goodwill on the acquisition of associates and joint ventures is treated in accordance with the group's accounting policy for goodwill. Carrying amounts of investments in associates and joint ventures are reduced to their recoverable amount where this is lower than their carrying amount.

Where the group's share of losses of an associate or joint venture exceeds the carrying amount of the associate or joint venture, the associate or joint venture is carried at nil. Additional losses are only recognised to the extent that the group has incurred obligations in respect of the associate or joint venture.

PROPERTY, PLANT AND EQUIPMENT

Land and extensions 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 value 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 asset.

Moulds and refractory furnace relines are depreciated based on the usage thereof.

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

Buildings and infrastructure (including residential buildings)	25 years
Fixed plant and equipment	25 years
Mobile equipment, built-in process computers, underground mining equipment and reconditionable spares	15 years
Loose tools and computer equipment	5 years
Development costs	5 years
Refractory reline	8 years
Site preparation, mining development and exploration	20 years
Mineral properties	25 years

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Directly attributable expenses relating to mining and other major capital projects, site preparations and exploration are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognised as a provision.

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 asset is substantially complete.

Directly attributable costs associated with the acquisition, development and installation of certain software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

Surpluses and deficits on the disposal of property, plant and equipment are taken to income.

LEASED ASSETS

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 balance sheet. 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 a 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 a straight-line basis over the period of the lease.

INTANGIBLE ASSETS

An intangible asset is recognised at cost if it is probable that future economic benefits will flow to the enterprise. Amortisation is charged on a systematic basis over the estimated useful lives of the intangible assets.

The estimated maximum useful lives of intangible assets are:

Patents, licence and franchise	20 years

Subsequent expenditure on capitalised intangible assets is capitalised only if it increases the future benefits embodied in the specific asset to which it relates.

RESEARCH, DEVELOPMENT AND EXPLORATION COSTS

Research, development and exploration costs are charged against income until they result in projects that are evaluated as being technically or commercially feasible, the group has sufficient resources to complete development and can demonstrate how the asset will generate future economic benefits, in which event these costs are capitalised and amortised on the straight-line basis over the estimated useful life of the project/asset.

IMPAIRMENT OF ASSETS

The carrying amounts of assets mentioned in the accounting policy notes are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

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

A previously recognised impairment loss is 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) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed, unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and the increase relates clearly to the reversal of the effect of that specific event.

FINANCIAL INSTRUMENTS

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Marketable securities are carried at market value, which is calculated by reference to Securities Exchange quoted selling prices at the close of business on the balance sheet date. Other investments are shown at fair value. Gains and losses are recognised in income.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations, except for derivatives which are measured at fair value.

Notes to the annual financial statements (continued)

Derivative instruments

Derivative instruments are measured at fair value.

Gains and losses on subsequent measurement

Gains and losses on subsequent measurement are recognised as follows:

- gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss for the period in which it arises.
- gains and losses from measuring fair value hedging instruments, including fair value hedges for foreign currency denominated transactions, are recognised immediately in net profit or loss.
- effective portion of gains and losses from remeasuring cash flow hedging instruments, including cash flow hedges for forecast foreign currency denominated transactions and for interest rate swaps, are initially recognised directly in equity. Should the hedged firm commitment or forecast transaction result in the recognition of an asset or a liability, then the cumulative amount recognised in equity is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecast transaction affects profit or loss.
- when a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative unrealised gains or losses at that point remains in equity and are recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

INVENTORIES

Inventories are valued at the lower of cost, determined on a moving average basis, or 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.

Writedowns

Writedowns to net realisable value and inventory losses are expensed in the period in which the writedowns or losses occur.

FOREIGN CURRENCIES

Transactions and balances

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 balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

The financial statements of foreign entities are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at balance sheet date;
- income, expenditure and cash flow items at weighted average rates; and
- goodwill and fair value adjustments arising on acquisition at rates of exchange ruling at balance sheet date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

REVENUE RECOGNITION

Revenue, which excludes value added tax and sales between group companies, represents the gross value of goods invoiced. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services and royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

Revenue from the operation of bulk ships is recognised on a proportionate basis where voyages have not terminated at year end.

INTEREST AND DIVIDEND INCOME

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

PROVISIONS

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

ENVIRONMENT AND REHABILITATION

Provision is made on a progressive basis for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets while the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against income as incurred.

Annual contributions are made to the group's Environmental Rehabilitation Trust Fund, created in accordance with statutory requirements, to provide for the funding of the estimated cost of pollution control and rehabilitation during, and at the end of, the life of mines.

DEFERRED TAXATION

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for taxation purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss.

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.

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

EMPLOYEE BENEFITS

Post-employment benefits

Retirement

The group provides defined benefit and defined contribution funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by payments from employees and the group, taking account of the recommendations of independent actuaries. The group's contribution to the defined contribution fund is charged to the income statement in the year to which it relates.

The defined benefit funds consist of pensioner members and an insignificant number of employee members and are closed to new entrants. The benefit costs and obligations are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who perform a statutory valuation of the plans every three years.

Interim valuations are also performed on an annual basis. Valuations are performed on a date which does not coincide with the balance sheet date. Consideration is given to any event that could impact the funds up to balance sheet date. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. No actuarial surplus is recognised as the group's ability to access the future economic benefit is uncertain. Actuarial losses, if any, are recognised in income as and when they arise.

Notes to the annual financial statements (continued)

Medical

No contributions are made to the medical aid of retired employees.

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is 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 balance sheet date, based on current salary rates.

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.

The group recognises termination benefits when it has demonstrated its commitment 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. If the benefits fall due more than 12 months after balance sheet date, they are discounted to present value.

Equity compensation benefits

Senior management, including executive directors, have been granted share options. Grants are based on existing ordinary shares and can be purchased or the purchase can be deferred. The option or purchase price equals market price on the date preceding the date of the grant.

When the options are exercised they can either be:

– purchased and if vesting according to the rules of the scheme, recorded in share capital and share premium at the amount of the option price; or
– payment can be deferred resulting in no increase in share capital or share premium until paid for and vesting according to the rules of the scheme.

EXCEPTIONAL ITEMS

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence.

DIVIDEND

Dividends paid are recognised by the company when the shareholders' right to receive payment is established. 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 balance sheet date, but are disclosed in the statement of changes in equity to show the effect the dividend would have had on equity.

Taxation costs incurred on dividends are included in the taxation line in the income statement in the year in which they are declared.

DISCONTINUING OPERATIONS

Discontinuing operations are significant, distinguishable components of an enterprise that has been sold, abandoned or is the subject of formal plans for disposal or discontinuance.

The profit or loss on the sale or abandonment of a discontinuing operation is determined from the formalised discontinuance date.

SEGMENT REPORTING

The primary business segments are iron ore, coal, base metals, heavy minerals and industrial minerals.

On a secondary segment basis, significant geographic marketing regions have been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm

2. OPERATING EXPENSES

COST BY TYPE

– raw materials and consumables	**1 224**	1 045	**57**	38
– staff costs				
– salaries and wages	**1 340**	1 380	**187**	242
– termination benefits	**1**	1	**1**	1
– pension and medical costs	**128**	83	**14**	
– general charges	**1 155**	819	**160**	199
– railage and transport	**1 237**	1 247	**1**	1
– repairs and maintenance	**768**	703	**20**	8
– energy	**237**	174	**4**	3
– depreciation on property, plant and equipment	**529**	454	**5**	7
– amortisation of intangible assets	**3**			
– movement in inventories	**(194)**	(282)		
– own work capitalised	**(154)**	(110)		
– cost recoveries			**(537)**	(478)
– sublease received	**(17)**	(15)	**(3)**	(3)
	6 257	5 499	**(91)**	18

COST BY FUNCTION

– Costs of goods sold	**5 016**	4 286	**(88)**	21
– Selling and distribution costs	**1 258**	1 228		
– Sublease rent received	**(17)**	(15)	**(3)**	(3)
	6 257	5 499	**(91)**	18

The above costs are stated after including:				
Depreciation and amortisation				
– residential buildings	**6**	6		
– buildings and infrastructure	**60**	51	**1**	1
– machinery, plant and equipment	**376**	296	**4**	6
– site preparation, mining development exploration and rehabilitation	**51**	51		
– mineral properties	**30**	27		
– leased assets under finance leases	**5**	22		
– rehabilitation	**1**	1		
– amortisation of intangible assets	**3**			
Reconditionable spares usage	**8**	8		
Research and development costs	**4**	1		
Consultancy fees	**89**	64	**30**	32
Operating lease rentals expenses				
– property	**35**	26	**9**	13
– equipment	**41**	47	**19**	11
Operating sublease rentals received				
– property	**(17)**	(14)	**(3)**	
Contingent rentals received	**(2)**	(2)	**(2)**	

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
2. OPERATING EXPENSES (continued)				
Net (profit)/deficit on disposal or scrapping of property, plant and equipment	**(3)**	(4)	**5**	7
Auditors' remuneration				
– audit fees	**7**	4	**3**	1
– other services	**1**			
Net realised losses/(gains) on currency exchange differences	**193**	(164)	**35**	(60)
Net unrealised losses/(gains) on currency exchange differences	**92**	(5)	**13**	1
Net realised (gains)/losses on the revaluation of derivative instruments	**(144)**	51	**1**	(6)
Net unrealised gains on the revaluation of derivative instruments	**(19)**	(4)	**(11)**	(2)
Directors' emoluments (refer to the report of the directors)				
– executive directors				
– remuneration received as directors of the company	**9**	10	**9**	10
– non-executive directors				
– remuneration received as directors of the company	**1**	1	**1**	1

Note:

Pensions

Pensions paid or receivable by executive directors are paid or received under contributory pension schemes.

Operating lease arrangements – contingent rent received

The basis to determine contingent rent received is 25% of all extraordinary maintenance of the building.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
3. NET FINANCING COSTS				
Interest expense and loan costs	**309**	309	**243**	260
Finance leases	**8**	3		
Interest income	**(77)**	(76)	**(61)**	(48)
Net interest expense	**240**	236	**182**	212
Interest adjustment on non-current provisions	**4**	6		1
	244	242	**182**	213
Financing costs of R32 million have been capitalised during the year (2002: R nil million).				
Financing costs capitalised relates to funds specifically borrowed for the purposes of obtaining a qualifying asset.				
4. INCOME FROM INVESTMENTS				
SUBSIDIARIES				
Unlisted shares				
– dividends			**354**	
– net interest received			**175**	196
			529	196
5. IMPAIRMENT CHARGES				
Impairment of shipping assets (refer note 8)		(80)		
Impairment of other assets		(1)		
Impairment of investment in associates		(2)		
Impairment of investment in joint ventures	**(2)**			
Impairment of other investments		(18)		
	(2)	(101)		
Taxation effect		7		
Net effect on attributable earnings	**(2)**	(94)		
The carrying amount of certain investments was greater than the market value thereof. This is considered to be of a permanent nature and was impaired.				

Notes to the annual financial statements (continued)

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
6. TAXATION				
CHARGE TO INCOME				
South African normal taxation				
– current – current year	**(140)**	(359)	**(6)**	3
– deferred – current year	**(29)**	(84)	**9**	5
Foreign normal taxation				
– current – current year	**(11)**	1		
– deferred – current year	**(5)**	16		
	(16)	17		
Share of associates' and joint ventures' taxation	**(10)**	(39)		
Secondary tax on companies	**(32)**		**(32)**	
Non-residents' share withholdings tax	**(2)**			
Total	**(229)**	(465)	**(29)**	8
RECONCILIATION OF TAXATION RATES	**%**	%	**%**	%
Taxation as a percentage of profit before taxation	**24,14**	32,10	**6,24**	21,70
Taxation effect of				
– assessed losses not created	**0,07**	(0,20)	**(0,01)**	
– capital profits/(losses)	**4,56**		**(2,35)**	
– disallowable expenditure	**(0,43)**	(2,80)	**(0,26)**	52,00
– environmental rehabilitation asset		(2,10)		6,50
– exempt income	**2,34**	4,00	**24,19**	(49,30)
– inventories – realisation of profits	**1,73**			
– learnership allowances	**0,23**			
– reversal of non-tax deductible provisions	**(0,03)**		**8,75**	
– share of associates' and joint ventures' differences	**(1,16)**	(1,00)		
– tax rate differences	**0,37**			
– temporary differences not provided for	**1,31**			
– other	**0,39**		**0,52**	(0,90)
– secondary tax on companies	**(3,33)**		**(7,08)**	
– withholding tax	**(0,19)**			
STANDARD TAX RATE	**30,00**	30,00	**30,00**	30,00
Effective tax rate excluding (loss)/income from equity accounted investments, impairment charge and share of taxation thereon	**23,10**	29,50		

	GROUP 2003	GROUP 2002
7. EARNINGS PER SHARE		
Basic headline earnings per share is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue during the year.		
Headline earnings (R million)	**784**	1098
Weighted average number of ordinary shares in issue (million)	**297**	285
Headline earnings per share (cents)	**264,0**	385,3
For the diluted headline earnings per share the weighted average number of ordinary shares is adjusted to assume conversion of not yet released purchased shares and options under the management share scheme, net of shares held by the scheme for releasing purposes. Diluted headline earnings per share is calculated by dividing headline earnings by the adjusted weighted average number of shares in issue.		
Weighted average number of ordinary shares in issue (million)	**297**	285
Adjusted for options and net purchased shares in terms of the management share scheme (million)	**2**	7
Weighted average number for diluted headline earnings per share (million)	**299**	292
Diluted headline earnings per share (cents)	**262,2**	376,0
Basic attributable earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.		
Net profit attributable to ordinary shareholders (R million)	**718**	976
Weighted average number of ordinary shares in issue (million)	**297**	285
Basic earnings per share (cents)	**241,8**	342,5
For the diluted attributable earnings per share the weighted average number of ordinary shares is adjusted as above		
Diluted earnings per share (cents)	**240,1**	334,2
For the current year, shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price attached to the option shares was lower than the average market price.		

8. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, explor-ation and rehabilitation Rm	Extensions under construction Rm	**Total 2003 Rm**
GROUP								
Gross carrying amount								
At beginning of year	107	685	126	1 029	4 662	676	975	**8 260**
Additions	21	6		165	660	37	497	**1 386**
Non-cash flow additions			1	3	24	24	103	**155**
Acquisition of subsidiary	20	357	3	187	1 427	311	44	**2 349**
Disposals	(9)	(3)	(10)	(3)	(65)	(4)		**(94)**
Exchange differences on translation	1	7		5	(80)	9		**(58)**
Other movements	1	4		223	515	18	(761)	
At end of year	141	1 056	120	1 609	7 143	1 071	858	**11 998**
Accumulated depreciation								
At beginning of year		27	73	296	1 785	288		**2 469**
Depreciation charges		30	6	60	381	52		**529**
Acquisition of subsidiary		66		65	556	98		**785**
Accumulated depreciation on disposals			(8)	(1)	(41)	(3)		**(53)**
Exchange differences on translation		2		2	(35)	3		**(28)**
At end of year		125	71	422	2 646	438		**3 702**
Impairment of assets								
At beginning of year					80	1		**81**
Impairment charges					10			**10**
					90	1		**91**
NET CARRYING AMOUNT AT END OF YEAR	141	931	49	1 187	4 407	632	858	**8 205**

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, explor-ation and rehabilitation Rm	Extensions under construction Rm	**Total 2003 Rm**
8. PROPERTY, PLANT AND EQUIPMENT (continued)								
COMPANY								
Gross carrying amount								
At beginning of year	6			13	46		5	**70**
Additions							14	**14**
Disposals	(6)				(9)			**(15)**
Other movements					4		(4)	
At end of year				13	41		15	**69**
Accumulated depreciation								
At beginning of year				5	26			**31**
Depreciation charges				1	4			**5**
Accumulated depreciation on disposals					(5)			**(5)**
At end of year				6	25			**31**
NET CARRYING AMOUNT AT END OF YEAR				7	16		15	**38**

Included above are fully depreciated assets with an original cost of R491 million (2002: R32 million) which are still in use.

	2003 Rm	2002 Rm
The net carrying amount of machinery, plant and equipment includes:		
Assets held under finance leases (refer note 17)		
– cost	**101**	98
– accumulated depreciation	**12**	6
	89	92

For details on property, plant and equipment pledged as security refer to annexure 1.

The replacement value of assets for insurance purposes amounts to R15,8 billion (2002: R8,2 billion).
A register of fixed property is available for inspection at the registered office of the company.

8. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total 2002 Rm
GROUP								
Gross carrying amount								
At beginning of year								
Unbundling	168	621	128	578	3 530	583	1 399	7 007
Additions	6		1	115	322	29	612	1 085
Non-cash flow additions			2	6	36	12	85	141
Disposals	(5)		(6)	(2)	(67)			(80)
Exchange differences on translation					95			95
Other movements	(62)	64	1	332	746	52	(1 121)	12
At end of year	107	685	126	1 029	4 662	676	975	8 260
Accumulated depreciation								
At beginning of year								
Unbundling			71	246	1 464	236		2 017
Depreciation charges		27	6	51	318	52		454
Accumulated depreciation on disposals			(4)	(1)	(46)			(51)
Exchange differences on translation					35			35
Other movements					14			14
At end of year		27	73	296	1 785	288		2 469
Impairment of assets								
At beginning of year								
Unbundling								
Impairment charges					80	1		81
At end of year					80	1		81
NET CARRYING AMOUNT AT END OF YEAR	107	658	53	733	2 797	387	975	5 710

8. PROPERTY, PLANT AND EQUIPMENT (continued)

COMPANY

	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total 2002 Rm
Gross carrying amount								
At beginning of year								
Unbundling	8			14	50		3	75
Additions					4		2	6
Disposals	(2)				(8)			(10)
Other movements				(1)				(1)
At end of year	6			13	46		5	70
Accumulated depreciation								
At beginning of year								
Unbundling				4	23			27
Depreciation charges				1	6			7
Accumulated depreciation on disposals					(3)			(3)
At end of year				5	26			31
NET CARRYING AMOUNT AT END OF YEAR	6			8	20		5	39

Notes to the annual financial statements (continued)

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
9. INTANGIBLE ASSETS				
PATENTS, LICENCES AND FRANCHISE				
GROSS CARRYING AMOUNT				
At beginning of year				
Acquisition of subsidiary	**117**			
At end of year	**117**			
ACCUMULATED AMORTISATION				
At beginning of year				
Acquisition of subsidiary	**16**			
Amortisation charge	**3**			
At end of year	**19**			
NET CARRYING AMOUNT AT END OF YEAR	**98**			
10. GOODWILL				
POSITIVE GOODWILL				
At beginning of year	**23**			
Unbundling		46		
Amortisation charge*	**(23)**	(23)		
At end of year		23		
Comprising:				
Cost	**243**	243		
Accumulated amortisation	**243**	220		
		23		
NEGATIVE GOODWILL				
At beginning of year				
Unbundling		(49)		
Additions	**(82)**			
Recognised in income*	**2**	49		
At end of year	**(80)**			
Comprising:				
Cost	**(131)**	(49)		
Accumulated amortisation	**51**	49		
	(80)			

The negative goodwill arising during 2003 results from the acquisition of Ticor Limited and is amortised over 12,7 years.

** Goodwill amortisation as disclosed per the income statement.*

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES				
ASSOCIATED COMPANIES				
– listed	**100**	1 152	**86**	51
– unlisted	**1**	3		1
	101	1 155	**86**	52
JOINT VENTURES (UNLISTED)				
– incorporated	**10**	19		
– unincorporated	**7**	10	**7**	7
	17	29	**7**	7
Total	**118**	1 184	**93**	59

Refer to annexure 2 for market and directors' valuations of investments.

	ASSOCIATED COMPANIES			**JOINT VENTURES**		
	Investments 2003 Rm	**Loans 2003 Rm**	**Total 2003 Rm**	**Investments 2003 Rm**	**Loans 2003 Rm**	**Total 2003 Rm**
GROUP						
At beginning of year	1 142	13	1 155	29		29
Additional interests acquired	44		44			
Acquisition of controlling interest in associate, now consolidated	(966)		(966)			
Movement in indebtedness to/from associated companies/repayments		28	28			
Disposals	(1)		(1)			
Net share of results						
– share of results before taxation as per income statement*	32		32	15		15
– share of exceptional items*	(7)		(7)			
– share of goodwill*	(38)		(38)			
– share of taxation (refer note 6)	(7)		(7)	(3)		(3)
Dividends paid	(33)		(33)	(16)		(16)
Exchange difference adjustments	(179)	(2)	(181)	(8)		(8)
Share of reserve movements in the year	77		77			
Impairment loss	(2)		(2)			
AT END OF YEAR (ANNEXURE 2)	62	39	101	17		17
COMPANY						
At beginning of year	51	1	52	7		7
Movement in indebtedness to/from associated companies/repayments		34	34			
AT END OF YEAR (ANNEXURE 2)	51	35	86	7		7

Notes to the annual financial statements (continued)

	ASSOCIATED COMPANIES Investments 2002 Rm	ASSOCIATED COMPANIES Loans 2002 Rm	ASSOCIATED COMPANIES Total 2002 Rm	JOINT VENTURES Investments 2002 Rm	JOINT VENTURES Loans 2002 Rm	JOINT VENTURES Total 2002 Rm
11. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)						
GROUP						
At beginning of year						
Unbundling	857	12	869	6		6
Additional interests acquired	94		94	7		7
Movement in indebtedness to/from associated companies/repayments		(2)	(2)			
Net share of results						
– share of results before taxation as per income statement*	116		116	19		19
– share of exceptional items*	(12)		(12)			
– share of goodwill*	(40)		(40)			
– share of taxation (refer note 6)	(35)		(35)	(4)		(4)
Dividends paid	(47)		(47)			
Exchange difference adjustments	316	3	319	1		1
Share of reserve movements in the year	(105)		(105)			
Impairment loss	(2)		(2)			
AT END OF YEAR (ANNEXURE 2)	1 142	13	1 155	29		29
COMPANY						
At beginning of year						
Unbundling	51		51			
Additional interests acquired				7		7
Movement in indebtedness to/from associated companies/repayments		1	1			
AT END OF YEAR (ANNEXURE 2)	51	1	52	7		7

** Income from equity accounted investments as disclosed in the income statement, amounts to R2 million (2002: R83 million).*

	2003 Rm	2002 Rm
Aggregate post-acquisition reserves:		
– associated companies	**3**	24
– joint ventures	**8**	43
TOTAL	**11**	67

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
12. INVESTMENTS IN SUBSIDIARIES				
Shares at cost less impairment losses			**1 386**	1 185
Indebtedness:				
– by subsidiaries			**2 988**	2 947
– to subsidiaries			**(216)**	(400)
			2 772	2 547
TOTAL (ANNEXURE 3)			**4 158**	3 732
Aggregate attributable after tax profits/(losses) of subsidiaries:				
– profits	**6 288**	3 226		
– losses	**(4 246)**	(1 804)		
13. FINANCIAL ASSETS				
Environmental Rehabilitation Trust Fund asset	**143**	135	**7**	7
Long-term receivables	**50**	40	**3**	1
Investments (refer to annexure 2)	**79**	37	**22**	21
	272	212	**32**	29
14. INVENTORIES				
Finished products	**377**	345		
Work-in-progress	**602**	409		
Raw materials	**131**	47		
Plant spares and stores	**227**	128		
Merchandise	**32**	26		
	1 369	955		
Included above are inventories relating to the Ticor SA project which might be sold or utilised in production over more than 12 months.				
Included in the above are inventories carried at net realisable value:				
– finished products	**13**	26		
– raw materials	**2**			
– plant spares and stores	**31**	14		
– merchandise	**32**	26		
	78	66		
15. TRADE AND OTHER RECEIVABLES				
Trade	**1 071**	722	**2**	
Other	**256**	275	**63**	163
Derivative instruments	**28**	25	**13**	
	1 355	1 022	**78**	163

Notes to the annual financial statements (continued)

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
16. SHARE CAPITAL				
SHARE CAPITAL AT PAR VALUE				
Authorised				
500 000 000 ordinary shares of R0,01 each	**5**	5	**5**	5
Issued				
296 962 801 ordinary shares of R0,01 each	**3**	3	**3**	3
Share premium	**2 677**	2 677	**2 677**	2 677
TOTAL	**2 680**	2 680	**2 680**	2 680
RECONCILIATION OF AUTHORISED SHARES				
Number of authorised ordinary shares at beginning of year (million)	**203**	500	**203**	500
Number of shares issued during the year (million)		297		297
Number of outstanding authorised shares at end of year	**203**	203	**203**	203

The unissued ordinary shares are under the control of the directors until the forthcoming annual general meeting subject to the following conditions:

- the authority is valid until the next annual general meeting but shall not extend beyond 15 months;
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, be published after any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue concerned;
- that the issue in aggregate in one financial year shall not exceed 15% of the number of shares of the company's issued ordinary share capital; and
- that, in determining the price at which an issue of shares for cash will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average trading price of the ordinary shares on the JSE Securities Exchange SA (adjusted for any dividend declared but not yet paid or for any capitalisation award made to shareholders) over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the company.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
17. INTEREST-BEARING BORROWINGS				
NON-CURRENT BORROWINGS				
Summary of loans by financial year of redemption				
2003		931		844
2004	**407**	221	**292**	138
2005	**697**	124	**200**	36
2006	**1 126**	86	**622**	
2007	**273**	71	**99**	
2008 onwards	**705**	380	**111**	300
Total non-current borrowings (annexure 1)	**3 208**	1 813	**1 324**	1 318
Current portion included in current liabilities	**(407)**	(931)	**(292)**	(844)
Total	**2 801**	882	**1 032**	474
Details of interest rates payable on borrowings are shown in annexure 1.				
INTEREST-BEARING BORROWINGS				
Non-current borrowings	**2 801**	882	**1 032**	474
Short-term borrowings	**130**	9	**154**	9
Current portion of non-current borrowings	**407**	931	**292**	844
Total short-term borrowings	**537**	940	**446**	853
Total	**3 338**	1 822	**1 478**	1 327
Included in the above interest-bearing borrowings are obligations relating to finance leases. Details are:				
Minimum lease payments:				
– less than 1 year	**30**	44		
– more than 1 year and less than 5 years	**27**	55		
– more than 5 years				
– total	**57**	99		
– less future finance charges	**7**	16		
Present value of lease liabilities	**50**	83		
Representing lease liabilities:				
– current	**25**	40		
– non-current (more than 1 year and less than 5 years)	**25**	43		
– non-current (more than 5 years)				
Total	**50**	83		
18. OTHER LONG-TERM PAYABLES				
Other long-term payables: Iscor captive mines	**386**	178		
Other long-term payables	**2**			
	388	178		

Iscor has funded the capital expenditure at the Thabazimbi and Tshikondeni captive mines in terms of supply agreements. The funds are repayable over the life of the assets as specified in the supply agreements.

Notes to the annual financial statements (continued)

	Environmental rehabilitation Rm	Leave pay benefits Rm	Restructuring Rm	Total Rm
19. PROVISIONS				
GROUP				
For the year ended 30 June 2002				
At beginning of year				
Unbundling	290	106	21	417
Charge to income statement	11	44	13	68
Additional provisions	5	47	13	65
Interest adjustment	6			6
Unused amounts reversed		(3)		(3)
Utilised during year	(15)	(40)	(2)	(57)
At end of year	286	110	32	428
Current portion included in current liabilities	(22)		(17)	(39)
Total non-current provisions	264	110	15	389
For the year ended 30 June 2003				
At beginning of year	**286**	**110**	**32**	**428**
Charge to income statement	**78**	**66**		**144**
Additional provisions	**20**	**41**		**61**
Acquisition of subsidiary	**39**	**27**		**66**
Provisions capitalised to property, plant and equipment	**15**			**15**
Interest adjustment	**4**			**4**
Unused amounts reversed		**(2)**		**(2)**
Utilised during year	**(2)**	**(30)**	**(11)**	**(43)**
At end of year	**362**	**146**	**21**	**529**
Current portion included in current liabilities	**(18)**		**(10)**	**(28)**
Total non-current provisions	**344**	**146**	**11**	**501**

	Environmental rehabilitation Rm	Leave pay benefits Rm	Restructuring Rm	Total Rm
19. PROVISIONS (continued)				
COMPANY				
For the year ended 30 June 2002				
At beginning of year				
Unbundling		25		25
Charge to income statement	1	7		8
Additional provisions		10		10
Interest adjustment	1			1
Unused amounts reversed		(3)		(3)
Utilised during year		(8)		(8)
At end of year	1	24		25
Current portion included in current liabilities				
Total non-current provisions	1	24		25
For the year ended 30 June 2003				
At beginning of year	**1**	**24**		**25**
Charge to income statement	**4**	**10**		**14**
Transfer to subsidiaries				
Additional provisions	**4**	**11**		**15**
Interest adjustment				
Unused amounts reversed		**(1)**		**(1)**
Utilised during year		**(9)**		**(9)**
At end of year	**5**	**25**		**30**
Current portion included in current liabilities				
Total non-current provisions	**5**	**25**		**30**

ENVIRONMENTAL REHABILITATION

Provision is made on a progressive basis for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Contributions towards the cost of the mine closure are also made to the Kumba Rehabilitation Trust Fund and the balance of the fund amounted to R143 million (2002: R135 million) (refer to note 13) at year-end. This amount is included in the financial assets of the group. Cash flows will take place when the mines are rehabilitated.

LEAVE PAY BENEFITS

In terms of the group policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle. The obligation is reviewed annually.

RESTRUCTURING

The liability includes accruals for plant and facility closures, including the dismantling costs thereof and employee termination costs, in terms of announced restructuring plans for the Durnacol mine. Provision is made on a piecemeal basis, only for those restructuring obligations supported by a formally approved plan. The time frame for the restructuring is five years.

Notes to the annual financial statements (continued)

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
20. DEFERRED TAXATION				
The movement on the deferred taxation account is as follows:				
At beginning of year	**781**		**(11)**	
Unbundling		713		(6)
Acquisition of subsidiary	**49**			
Non-distributable reserve charge	**35**			
Income statement charge (note 6)	**34**	68	**(9)**	(5)
At end of year	**899**	781	**(20)**	(11)
Comprising:				
Deferred taxation liabilities				
– property, plant and equipment	**1 473**	1 167	**1**	(1)
– foreign taxation to be set-off for group tax entity	**(147)**			
– inventories	**17**	6		
– environmental rehabilitation trust fund asset	**23**	31	**2**	2
– prepayments	**17**		**8**	
– unrealised profits	**1**			
	1 384	1 204	**11**	1
Deferred taxation assets				
– provisions	**(110)**	(94)	**(14)**	(12)
– property, plant and equipment	**(26)**		**(6)**	
– inventories	**(1)**			
– other	**(1)**			
– taxation losses carried forward	**(248)**	(255)	**(11)**	
– foreign taxation losses carried forward	**(246)**	(74)		
– foreign taxation losses to be set-off for group tax entity	**147**			
	(485)	(423)	**(31)**	(12)
	899	781	**(20)**	(11)
CALCULATED TAXATION LOSSES				
Available for set-off against future South African taxable income included above	**827**	850	**37**	
21. TRADE AND OTHER PAYABLES				
Trade	**533**	470	**25**	29
Other	**391**	627	**89**	208
Derivative instruments	**17**	(47)	**6**	(2)
	941	1 050	**120**	235

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
22. NOTES TO THE CASH FLOW STATEMENT				
22.1 CASH RETAINED FROM OPERATIONS				
Net operating income/(loss)	**1 212**	1 683	**99**	(18)
Adjusted for non-cash movements				
– depreciation	**523**	454	**5**	7
– provisions	**59**	62	**14**	7
– foreign exchange revaluations	**72**	(44)	**2**	(37)
– reconditionable spares usage	**8**	8		
– net deficit on disposal or scrapping of property, plant and equipment	**(12)**	(4)	**5**	7
– net deficit on disposal or scrapping of investments			**(127)**	39
Working capital movements				
– increase in inventories	**(108)**	(135)		
– decrease/(increase) in trade and other receivables	**21**	(182)	**44**	117
– decrease/(increase) in non-current financial assets	**32**	30	**17**	(26)
– (decrease)/increase in trade and other payables	**(212)**	707	**(118)**	(21)
– utilisation of provisions (note 19)	**(28)**	(57)	**(9)**	(8)
	1 567	2 522	**(68)**	67
22.2 INCOME FROM EQUITY ACCOUNTED INVESTMENTS				
Income from equity accounted investments as per income statement	**2**	83		
Dividends received from equity accounted investments	**49**	47		
Less: Non-cash flow income from equity accounted investments	**(2)**	(83)		
	49	47		
22.3 NET FINANCING COSTS				
Net financing costs as per income statement	**(244)**	(242)	**(182)**	(213)
Financing costs not involving cash flow (note 19)	**4**	6		1
	(240)	(236)	**(182)**	(212)
22.4 DIVIDENDS PAID				
Amounts unpaid at beginning of year				
Dividends declared and paid	**(252)**		**(252)**	
Dividends declared and paid by subsidiaries to minorities	**(34)**			
Amounts unpaid at end of year				
	(286)		**(252)**	
22.5 NORMAL TAXATION PAID				
Amounts unpaid at beginning of year	**(223)**		**3**	
Unbundling		(12)		
Adjusted opening balance	**(223)**	(12)	**3**	
Amounts charged to the income statement	**(183)**	(358)	**(38)**	3
Arising on translation of foreign entities	**2**	(2)		
Amounts unpaid at end of year	**94**	223	**3**	(3)
	(310)	(149)	**(32)**	

Notes to the annual financial statements (continued)

	GROUP 2003 Rm	GROUP 2002 Rm	COMPANY 2003 Rm	COMPANY 2002 Rm
22. NOTES TO THE CASH FLOW STATEMENT (continued)				
22.6 INVESTMENT TO MAINTAIN OPERATIONS				
Replacement of property, plant and equipment	**(234)**	(275)	**(14)**	(6)
Reconditionable spares	**(30)**	(28)		
	(264)	(303)	**(14)**	(6)
22.7 INVESTMENT TO EXPAND OPERATIONS				
Expansion and new technology	**(1 122)**	(782)		
	(1 122)	(782)		
22.8 INVESTMENT IN OTHER NON-CURRENT ASSETS				
Increase in associates, joint ventures and other investments	**(36)**	(62)	**(34)**	(1)
Decrease/(increase) in investments in subsidiaries		12	**(74)**	243
Proceeds on disposal of investments				167
	(36)	(50)	**(108)**	409
22.9 FOREIGN CURRENCY TRANSLATION RESERVE				
At beginning of year				
Unbundling	**636**	649	**131**	9
Closing balance	**169**	701	**120**	131
Movement	**(467)**	52	**(11)**	122
Transfers from/(to) NDR	**107**	(168)	**(7)**	
Unrealised losses in relation to foreign transactions	**(55)**	(16)	**(26)**	(23)
Revaluation of long-term loans	**(21)**	398	**7**	(1)
Less arising on translation of foreign entities:	**(464)**	275		
– inventories	**(17)**	(17)		
– accounts receivable	**(110)**	12		
– financial assets	**(18)**	18		
– derivatives				
– accounts payable	**128**	111		
– utilisation of provision				
– taxation paid	**2**	(2)		
– dividends paid	**3**			
– fixed assets acquired	**(71)**	60		
– proceeds from investments sold				
– investments acquired	**(209)**	325		
– long-term loans	**(172)**	(13)		
– short-term loans	**2**	(3)		
– share capital	**(2)**	(216)		
	28	(9)	**(37)**	98

23. ACQUISITIONS

TICOR LIMITED (AUSTRALIA)

On 1 April 2003, the group acquired an additional 0,21% of the issued share capital of Ticor Ltd, bringing the interest of the group to 50,12% which infers control. Ticor is included in the heavy minerals business segment. On 27 June 2003, an additional 1,26% was acquired bringing the interest of the group to 51,38% at 30 June 2003. The acquired business contributed revenues of R275 million and operating profits of R35 million to the group for the period from 1 April 2003 to 30 June 2003.

MAGNETIC MINERALS LIMITED

On 1 April 2003 Ticor Ltd acquired a controlling interest in Magnetic Minerals Ltd resulting in the consolidation thereof from such date.

ZnERGY (PROPRIETARY) LIMITED

On 30 November 2002 the group acquired an additional 8,5% of the issued share capital of ZnERGY (Pty) Ltd, which is included in the base metals segment. An additional 30% was acquired on 1 April 2003 bringing the interest of the group at 30 June 2003 to 85%. The acquired business contributed revenues of R nil million and operating profits of R nil million to the group for the period from 1 December 2002 to 30 June 2003.

	Ticor Ltd Rm	Magnetic Minerals Ltd Rm	ZnERGY (Pty) Ltd Rm	**Total Rm**
Details of assets acquired and goodwill are as follows				
Purchase consideration:				
– cash paid on acquisition	(943)	(111)		**(1 054)**
– additional interest of fair value of assets acquired	1 147	111		**1 258**
Negative goodwill	204			**204**
The assets and liabilities arising from the acquisition are as follows:				
– cash and cash equivalents	370	4		**374**
– property, plant and equipment	1 442	113	9	**1 564**
– financial assets	9			**9**
– investments	823			**823**
– intangible assets	87	2	12	**101**
– inventories	254			**254**
– trade and other receivables	480			**480**
– trade and other payables	(238)	(12)	(6)	**(256)**
– interest-bearing borrowings	(876)		(15)	**(891)**
– non-current provisions	(59)			**(59)**
– current provisions	(7)			**(7)**
– deferred taxation	(49)			**(49)**
Fair value of net assets	2 236	107		**2 343**
Negative goodwill	(204)			**(204)**
Minority interest	(1 085)			**(1 085)**
Total purchase consideration	947	107		**1 054**
Less:				
– cash and cash equivalents in subsidiary acquired	(370)	(4)		**(374)**
– value of shares held before consolidation	(943)	(103)		**(1 046)**
Cash inflow on acquisition of controlling interest (refer to cash flow statement)	(366)			**(366)**

24. FINANCIAL INSTRUMENTS

The centralised corporate treasury function provides services to all the businesses in the group, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the group's operations.

The group's objective in using financial instruments is to reduce the uncertainty over future cash flows arising from movements in currency, interest rates and base metal prices. Currency and interest rate exposure is managed within board-approved policies and guidelines, which restrict the use of derivatives to the hedging of specific underlying currency, interest rate and base metal price exposures. Compliance with group policies and exposure limits is reviewed by the internal auditors on a continuous basis and reports to the board audit committee.

24.1 FOREIGN CURRENCY RISK MANAGEMENT

The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FECs), currency options and currency swap agreements.

Material FECs and currency options, which relate to specific balance sheet items or do not form part of a hedging relationship at 30 June 2003 and 30 June 2002, are summarised as follows:

FOREIGN CURRENCY

	Foreign amount	Market related value Rm	Contract value Rm	Recognised fair value gains/(losses) Rm
2003				
Exports				
United States dollar – FECs	**68**	**516**	**530**	**14**
2002				
Exports				
United States dollar – FECs	21	218	221	3
United States dollar – Put options	12	138	130	(8)
United States dollar – Call options	33	346	350	4
Imports				
United States dollar – FECs	1	10	10	

24. FINANCIAL INSTRUMENTS (continued)

24.1 FOREIGN CURRENCY RISK MANAGEMENT (continued)

The group has entered into certain forward exchange contracts, which relate to specific foreign commitments not yet due and export earnings of which the proceeds are not yet receivable. Details of the contracts at 30 June 2003 and 30 June 2002 are as follows:

FOREIGN CURRENCY

	Foreign amount	Market related value Rm	Contract value Rm	Recognised fair value in equity Rm
2003				
Exports[1]				
United States dollar – FECs	**88**	**653**	**701**	**48**
United States dollar – Put options				
United States dollar – Call options	**14**	**104**	**112**	**8**
Attributable to minorities				**(27)**
Loans[2]				
United States dollar – FECs	**5**	**41**	**37**	**4**
Imports[2]				
United States dollar – FECs	**16**	**117**	**128**	**(11)**
Euro – FECs	**8**	**66**	**72**	**(6)**
Japanese yen – FECs	**6**	**1**		**1**
Danish krona – FECs	**7**	**8**	**9**	**(1)**
Australian dollars – FECs		**1**	**1**	

Note: Unrealised exchange gains or losses amounting to R45 million arising from the revaluation of Ticor Limited's foreign currency loans which are a natural hedge against specific future export sales revenue, are recognised in equity as hedge accounting has been applied.

FOREIGN CURRENCY

	Foreign amount	Market related value Rm	Contract value Rm	Recognised fair value in equity Rm
2002				
Exports[1]				
United States dollar – FECs	9	91	90	(1)
United States dollar – Put options	3	31	31	
United States dollar – Call options	9	91	94	(3)
Loans[2]				
United States dollar – FECs	6	70	45	25
Imports[2]				
United States dollar – FECs	10	51	48	3
Euro – FECs	22	224	181	42
Swedish krona – FECs	2	2	2	
Danish krona – FECs	7	10	9	1
Great Britain pounds – FECs		1	1	

1. Recognised fair value in equity to be released to income statement within six months.

2. Recognised fair value in equity to be released to income statement within three years.

Notes to the annual financial statements (continued)

24. FINANCIAL INSTRUMENTS (continued)

24.2 PRICE HEDGING

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or directly with suppliers and customers. Price hedging is undertaken on a limited scale for future zinc sales of Rosh Pinah Zinc Corporation (Pty) Limited and Zinc Corporation of South Africa Limited to secure operating margins and reduce cash flow volatility. The forward hedged position at balance sheet date is shown below:

	Tons	Market related value Rm	Contract value Rm	Recognised gains Rm
2003				
Recognised transactions	**750**	**4**	**4**	
2002				
Recognised transactions	1 250	7,5	10	2,5

24.3 INTEREST RATE RISK MANAGEMENT

The group is exposed to interest rate risk as it borrows and deposits funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings taking into account future interest rate expectations.

A proportion of term borrowings were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile is summarised below:

	1 – 6 months Rm	7 – 12 months Rm	Beyond 1 year	Total borrowings
At 30 June 2003				
Term borrowings	**911**		**2 297**	**3 208**
Call borrowings	**130**			**130**
% of total borrowings	**31**		**69**	**100**
At 30 June 2002				
Term borrowings	1 373		440	1 813
Call borrowings	9			9
% of total borrowings	76		24	100

The group makes use of interest rate derivatives to hedge specific exposures in the interest rate repricing profile of existing borrowings. The value of borrowings hedged by interest rate derivatives, the instruments used and the respective rates applicable to these contracts were as follows:

	Borrowings hedged Rm	Floating interest payable %	Fixed interest receivable %	Recognised fair value gains Rm
At 30 June 2003				
Interest rate derivatives up to 1 year:				
– interest rate flexi-swap	**200**	**3m Jibar +1% margin**	**13%**	**13,2**
At 30 June 2002				
Interest rate swaps beyond 1 year				
– collar structure (cap and floor)	100	9,67	11,5	0,5
– interest rate flexi-swap	100	3m Jibar – 1,74bp	3m Jibar	0,6

24. FINANCIAL INSTRUMENTS (continued)

24.4 MATURITY PROFILE OF FINANCIAL INSTRUMENTS

The maturity profiles of financial assets and liabilities at 30 June 2003 and 30 June 2002 are summarised as follows: (The derivative instruments reflect the contract amounts)

	0 – 12 months Rm	1 – 2 years Rm	3 – 5 years Rm	> 5 years Rm	Total Rm
At 30 June 2003					
Assets					
Financial assets		**129**		**143**	**272**
Cash and cash equivalents	**964**				**964**
Trade and other receivables	**1 355**				**1 355**
Liabilities					
Interest-bearing borrowings	**537**	**697**	**1 399**	**705**	**3 338**
Trade and other payables	**941**				**941**
	841	**(568)**	**(1 399)**	**(562)**	**(1 688)**
Percentage profile (%)	**(50)**	**34**	**83**	**33**	**100**
At 30 June 2002					
Assets					
Financial assets		40		172	212
Cash and cash equivalents	679				679
Trade and other receivables	1 022				1 022
Liabilities					
Interest-bearing borrowings	940	221	210	451	1 822
Trade and other payables	1 050				1 050
	(289)	(181)	(210)	(279)	(959)
Percentage profile (%)	30	19	22	29	100
Derivative instruments as at 30 June 2003 (included in the above)					
Recognised transactions					
– buy					
– sell	**530**				**530**
Forecasted transactions					
– buy	**222**	**5**	**26**		**253**
– sell	**330**	**371**	**112**		**813**
Derivative instruments as at 30 June 2002 (included in the above)					
Recognised transactions					
– buy	10				10
– sell	701				701
Forecasted transactions					
– buy	251	10	25		286
– sell	215				215

24. FINANCIAL INSTRUMENTS (continued)

24.5 FAIR VALUE OF FINANCIAL INSTRUMENTS

At 30 June 2003 the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the short-term maturities of these assets and liabilities.

	CARRYING VALUE		FAIR VALUE	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
Assets				
Financial assets	**272**	212	**272**	212
Cash and cash equivalents	**964**	679	**964**	679
Trade and other receivables	**1 355**	1 022	**1 355**	1 022
Liabilities				
Non-current interest-bearing borrowings	**2 801**	882	**2 855**	876
Current interest-bearing borrowings	**537**	940	**560**	938
Trade and other payables	**941**	1 050	**941**	1 050

LIABILITIES

The fair value of long and medium-term borrowings is calculated using quoted prices, or where such prices are not available, discounted cash flow analyses using the applicable yield curve for the duration of the borrowing.

DERIVATIVE INSTRUMENTS

Comprise forward exchange contracts, currency options, interest rate collars and swaps as well as zinc forward contracts. The fair value of derivative instruments, included in hedging assets and liabilities are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analyses using the applicable yield curve for the duration of the instruments.

At 30 June 2003, the R70 million (2002: R72 million) fair value of instruments is made up of:

	2003 Rm	2002 Rm
Favourable contracts	**88**	83
Unfavourable contracts	**18**	11

When an anticipated future transaction has been hedged and the underlying position has not been recognised in the financial statements, any change in fair value of the hedging instrument is recognised directly in equity.

24. FINANCIAL INSTRUMENTS (continued)

24.6 CREDIT RISK MANAGEMENT

Credit risk relates to potential exposure on cash and cash equivalents, investments, trade receivables and hedged positions. 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 exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

Trade debtors consist of a number of customers, with whom Kumba has long-standing relationships. A high portion of term supply arrangements exist with such clients resulting in limited credit exposure which exposure, where dictated by customer creditworthiness or country risk assessment, is further mitigated through a combination of confirmed letters of credit and credit risk insurance.

Detail of the credit risk exposure above 5%

	2003	2002
	%	%
BY INDUSTRY		
Manufacturing (including structural metal)	**91**	89
Public utilities	**7**	8
Other	**2**	3
	100	100
BY GEOGRAPHICAL AREA		
South Africa	**29**	38
Asia	**26**	39
Europe	**18**	21
Australia	**10**	
USA	**11**	
Other	**6**	2
	100	100

24.7 LIQUIDITY RISK MANAGEMENT

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

	2003	2002
	Rm	Rm
Borrowing capacity is determined by the directors in terms of the articles of association, from time to time:		
Amount approved	**4 921**	8 428
Total borrowings	**3 338**	1 822
Unutilised borrowing capacity	**1 583**	6 606

For the 2002 financial year it was approved that the borrowing powers (total interest-bearing debt) of the company and its subsidiaries initially be determined at 175% of shareholders' funds to cater for a substantial allocation of debt to Kumba in order to facilitate the unbundling process. In line with the reduction in debt and the strengthening of the group's capital base the borrowing powers of the company and the group for the 2003 financial year was reduced to 100% of shareholders' funds.

Notes to the annual financial statements (continued)

25. RELATED-PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties.

ASSOCIATES AND JOINT VENTURES

Details of investments in associates and joint ventures are disclosed in note 11 and annexure 2 whilst income is disclosed in note 11. Interest income from joint ventures of R nil million (2002: R nil million) is included in net financing costs (note 3).

The group purchased goods and services to the value of R123 million (2002: R82 million) from, and sold goods to the value of R nil million (2002: R nil million) to associates and joint ventures.

The outstanding balances at year-end are as follows:

- included in trade and other receivables (note 15) R4 million (2002: R2 million)
- included in trade and other payables (note 21) R8 million (2002: R8 million)
- included in cash and cash equivalents R nil million (2002: R nil million)
- included in the carrying value of associates and joint ventures (note 11) are long-term loans of R39 million (2002: R13 million)
- included in long-term debtors R nil million (2002: R nil million)

SUBSIDIARIES

Details of income from, and investments in subsidiaries are disclosed in notes 4 and 12 respectively, and annexure 3.

SPECIAL PURPOSE ENTITIES

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

Entity	Nature of business
Ferrosure (Isle of Man) Insurance Company Limited	Offshore insurance captive
Ferrosure (SA) Insurance Company Limited	Insurance captive
Kumba Environmental Rehabilitation Fund	Trust fund for mine closure
Minco Leasing Limited	Financing company
Oreco Leasing Limited	Financing company
Vulcan Leasing Limited	Financing company
Kumba Resources Management Share Trust (not consolidated)	Management share incentive trust

DIRECTORS

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

SENIOR EMPLOYEES

Details relating to option and share transactions are disclosed in note 27.

SHAREHOLDERS

The principal shareholders of the company are provided in the annual report.

CONTINGENT LIABILITIES

Details are disclosed in note 28.

26. SEGMENT REPORTING

	Iron ore		Coal		Base metals		Heavy minerals		Industrial minerals		Other		Total	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
BUSINESS SEGMENTATION														
Segment revenue														
– total turnover	**4 234**	4 334	**1 638**	1 489	**892**	941	**587**	227	**103**	77	**52**	114	**7 506**	7 182
– inter-group		6							**(25)**	(20)	**(12)**	14	**(37)**	
External	**4 234**	4 340	**1 638**	1 489	**892**	941	**587**	227	**78**	57	**40**	128	**7 469**	7 182
Segment net operating profit/(loss)	**882**	1 221	**279**	255	**15**	102	**59**	54	**21**	15	**(44)**	36	**1 212**	1 683
Depreciation	**235**	215	**137**	130	**41**	29	**92**	47	**6**	6	**21**	27	**532**	454
Income/(loss) from equity accounted investments	**15**	17					**58**	73		2	**(71)**	(9)	**2**	83
Impairment charge	**2**			1				18				82	**2**	101
Goodwill amortisation					**24**	23	**(3)**					(49)	**21**	(26)
Cash inflow from operations	**1 160**	1 364	**304**	400	**11**	234	**109**	62	**25**	22	**(42)**	440	**1 567**	2 522
Other non-cash flow items	**51**	(1)	**9**	50	**8**	(7)	**41**	2			**18**	(22)	**127**	22
Capital expenditure														
– cash flow	**211**	254	**125**	99	**73**	90	**947**	631	**5**	3	**25**	8	**1 386**	1 085
– non-cash flow	**104**	108	**50**	33									**154**	141
	315	362	**175**	132	**73**	90	**947**	631	**5**	3	**25**	8	**1 540**	1 226
Segment assets and liabilities														
– assets per balance sheet	**4 251**	4 160	**1 666**	1 576	**293**	422	**4 676**	1 238	**67**	47	**1 715**	1 581	**12 668**	9 024
– investments in associates and joint ventures	**10**	19	**1**			2		1 004		3	**107**	156	**118**	1 184
– liabilities per balance sheet	**1 455**	1 473	**834**	810	**107**	129	**2 538**	796	**24**	24	**1 717**	1 673	**6 674**	4 905
Number of employees (number)	**4 312**	4 153	**2 675**	2 927	**1 127**	1 187	**1 395**[1]	340	**133**	161	**932**	868	**10 574**	9 636

1. Includes the employees of Ticor Limited, Australia.

Notes to the annual financial statements (continued)

26. SEGMENT REPORTING (continued)

	Segment revenue	Segment revenue	Carrying amount of segment assets	Carrying amount of segment assets	Additions to property, plant and equipment (Cash flow)	Additions to property, plant and equipment (Cash flow)	Additions to property, plant and equipment (Non-cash flow)	Additions to property, plant and equipment (Non-cash flow)
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
GEOGRAPHICAL SEGMENTATION								
– South Africa	**3 112**	2 856	**9 387**	7 712	**1 328**	1 050	**154**	141
– Africa	**134**	92	**456**	168	**25**	35		
– Europe	**1 423**	1 510	**1 994**	752				
– Asia	**2 347**	2 471	**733**	137				
– Australia	**122**		**(309)**	1 016				
– Other	**331**	253	**525**		**33**			
Total segment	**7 469**	7 182	**12 786**	9 785	**1 386**	1 085	**154**	141

Total segment revenue, which excludes value-added tax and sales between group companies, represent the gross value of goods invoiced. Export revenues are recorded according to the relevant sales terms, when the risks and rewards of ownership are transferred.

Total segment revenue further includes operating revenues directly and reasonably allocable to the segments. Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less segment expenses. Segment expenses represent direct or reasonably allocable operating expenses on a segment basis. Segment expenses exclude interest, losses on investments and income tax expenses, but include head office expense allocations.

Segment assets and liabilities include directly and reasonably allocable operating assets, investments in associates and joint ventures and liabilities.

27. EMPLOYEE BENEFITS

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 funds to which Kumba was a participating employer are as follows:

- Iscor Pension Fund, operating as a defined benefit fund. This fund is closed to new entrants.
- Iscor Retirement Fund, operating as a defined benefit fund. This fund is closed to new entrants.
- Iscor Selector Pension Fund and Iscor Selector Provident Fund, both operating as defined contribution funds.
- Iscor Employees' Provident Fund, operating as a defined contribution fund.

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

All funds are governed by the South African Pension Funds Act of 1956.

DEFINED CONTRIBUTION FUNDS

Membership of each fund at 30 June 2003 and employer contributions to each fund were as follows:

	Working members	Working members	**Employer contributions**	Employer contributions
	2003 Number	2002 Number	**2003 Rm**	2002 Rm
Iscor Selector Funds	**3 836**	3 723	**51**	44
Iscor Employees' Provident Fund	**4 622**	4 654	**24**	21
Other funds	**64**	80	**3**	3
	8 522	8 457	**78**	68

Due to the nature of these funds the accrued liabilities by definition equates to the total assets under control of these funds.

DEFINED BENEFIT FUNDS

Statutory actuarial valuations are performed at intervals of not more than three years. The valuations are performed as at the financial year-end of the funds in question which is 31 December. At the last statutory valuation of the funds within the group (Iscor Pension Fund at 31 December 2001 and the Iscor Retirement Fund at 31 December 2000) and at the interim valuation at 31 December 2002 for the Iscor Pension Fund and 31 December 2001 for the Iscor Retirement Fund, the actuaries were of the opinion that the funds were adequately funded.

27. EMPLOYEE BENEFITS (continued)

FUNDED STATUS

The funded status of the two defined retirement benefit funds (Iscor Pension Fund at 31 December 2002 and Iscor Retirement Fund at 31 December 2001) for both Iscor and Kumba members was as follows:

	2002 Rm	2001 Rm
Fair value of plan assets	**6 856**	7 160
Present value of funded obligation	**(6 701)**	(6 814)
Net asset	**155**	346
Surplus not recognised	**(155)**	(346)
Net liability as per balance sheet		

The pension plan assets consist primarily of equity (local and offshore), interest-bearing stock and property.

The actual return on the assets in the Iscor Pension Fund as at 31 December 2002 amounted to R285 million.

Principal actuarial assumptions (expressed as weighted averages) at 31 December 2001 were as follows:

	Iscor Pension Fund		**Iscor Retirement Fund**
	Interim valuation 2002 %	**Statutory valuation 2001** %	**Interim valuation 2001** %
Pre-retirement discount rate	**10,0**	10,0	10,0
Post-retirement discount rate	**5,0**	5,0	4,5
Expected real after tax return on fund's assets	**2,5**	2,5	n/a#
Future general and merit salary increases	**7,5***	7,5*	n/a#

Future pension increases were allowed for the extent that the investment return exceeds the post-retirement discount rate.

* *Excluding merit increases according to age.*

\# *Not applicable.*

MEDICAL FUNDS

The group and company contribute to defined benefit medical aid schemes for the benefit of permanent employees and their dependants. The contributions charged against income amounted to R47 million (2002: R40 million). Kumba has no post-retirement medical aid obligation for current or retired employees.

EQUITY COMPENSATION BENEFITS

Kumba operates the Kumba Management Deferred Purchase Share Scheme and the Kumba Management Share Option Scheme for senior employees and executive directors of Kumba.

The Kumba Management Deferred Purchase Share Scheme consists of a combination of an option scheme, a purchase scheme and a deferred purchase scheme and governs to maturity the existing share scheme rights and obligations of employees transferred from Iscor to Kumba on unbundling.

27. EMPLOYEE BENEFITS (continued)

The Kumba Management Share Option Scheme consists of the granting of options in respect of ordinary Kumba shares, at market value, to eligible participants.

The aggregate number of shares in the issued share capital of Kumba which may at any time be purchased by or allocated and issued to the trustees of both the Kumba Management Deferred Purchase Share Scheme and the Kumba Management Share Option Scheme may not exceed 10% in total of the shares then in issue in the share capital of Kumba.

The maximum number of Kumba shares to which any one eligible participant is entitled in total in respect of both schemes albeit by way of an allotment and issue of Kumba shares and/or the grant of options shall not exceed 1% of the shares then in issue in the share capital of Kumba.

Shares and/or options held in terms of Kumba Management Deferred Purchase Share Scheme are released in five equal tranches commencing on the second anniversary of an offer date and expire on the ninth anniversary of an offer date.

Options granted in terms of the Kumba Management Share Option Scheme can be exercised over five years commencing on the first anniversary of the offer date, provided that by the seventh anniversary of the offer date all options granted are to be exercised, failing which those options not exercised will lapse.

A total of 29,7 million shares of the company, representing 10% of the issued shares, have been approved and allocated by shareholders for purposes of the schemes. Of the total of 29,7 million shares, 9 million shares are available in the share scheme for future offers to participants, while 20,6 million shares are allocated as options or deferred purchase shares to participants.

Details are as follows:

	Million
Number of shares available for utilisation in terms of the Kumba Management Share Schemes as at 1 July 2002	12,7
Add: Net effect of scheme shares released, forfeitures and adjustments to scheme allocation	0,5
Less: Share offers accepted	(4,2)
Number of shares available for future utilisation as at 30 June 2003	9,0

At 30 June 2003 the company's loan to the Kumba Management Share Trust amounted to R23 million (2002: R26 million).

The loan is interest free and has no fixed repayment terms. This amount is reflected as a current asset.

The market value of the shares available for utilisation at the end of the year amounted to R273 million.

27. EMPLOYEE BENEFITS (continued)

EQUITY COMPENSATION BENEFITS (continued)

Details of the option/purchase schemes are:

	Options		Deferred purchase	
	2003 Million	2002 Million	**2003 Million**	2002 Million
Outstanding at beginning of year	**15,0**	1,0	**2,0**	3,2
Issued	**4,2**	14,3		
Conversion to deferred purchase scheme				
Exercised	**(0,1)**	(0,3)	**(0,1)**	
Lapsed/cancelled	**(0,2)**			(1,2)
Outstanding at end of year	**18,9**	15,0	**1,9**	2,0
Details of issues during the year are as follows:				
Expiry date	**2009/2010**	2008/2009		
Exercise price (share price range) (R)	**24,50 – 51,50**	28,05 – 46,90		
Total proceeds if options are immediately exercised/deferred purchase shares immediately paid (R million)	**150**	395		
Details of options/deferred purchase shares exercised during the year are as follows:				
Exercise price per share (Share price range) (R)	**26,10 – 47,00**	27,60 – 55,00	**27,50 – 41,30**	28,25 – 59,00
Total proceeds if shares are issued (R million)	**4**	4	**3**	14

Terms of the options and deferred purchase shares outstanding at year-end are as follows:

	Options		Deferred purchase	
Expiry date	**Exercise price R**	**Outstanding '000**	**Exercise price R**	**Outstanding '000**
2006			19,85 – 19,85	15
2007	10,88 – 13,10	254	8,89 – 13,10	1 260
2008	12,07 – 28,05	13 348	8,42 – 18,90	256
2009	9,17 – 51,50	4 227	8,06 – 20,80	214
2010	13,66 – 32,55	721	10,00 – 23,26	168
2011				
Total		18 550		1 913

	Options '000	**Deferred purchase '000**	**Total '000**
Number of shares vesting at beginning of year	14 969	2 005	16 974
Net change during year	3 880	(91)	3 789
Number of shares vesting at end of year	18 849	1 914	20 763

DIRECTORS' INTERESTS IN SHARES

For details refer to the report of the directors.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
28. CONTINGENT LIABILITIES				
Contingent liabilities at balance sheet date, not otherwise provided for in these annual financial statements, arising from:				
– guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:				
– related parties	**5**	2		
– other	**31**	54	**636**	256
– other[1]	**14**	36	**14**	

1. Includes the group's share of contingent liabilities of associates and joint ventures of R nil million (2002: R23 million).

Included in the company's guarantees are guarantees relating to the Ticor SA project loans as provided by the company. On consolidation the project loans are included in net debt, and the contingent liability of the company eliminated.

These contingent liabilities have no tax impact.

The timing of any possible outflows are uncertain.

	GROUP		COMPANY	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm
29. COMMITMENTS				
CAPITAL COMMITMENTS				
Capital expenditure contracted for plant and equipment	**345**	625	**29**	
Capital expenditure authorised for plant and equipment but not contracted for	**624**	588	**34**	4
The above includes the group's share of capital commitments of associates and joint ventures		48		
Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.				
A trust known as The New Africa Mining Fund was established during the year to make portfolio investments in junior mining projects within the Republic of South Africa and elsewhere on the continent of Africa. Kumba Resources as an investor participant to the fund, has committed to contribute R20 million towards the fund. The fund manager can draw down this balance or any portion as and when required by serving a 10-day notice to Kumba. The commitment period commenced on 1 March 2003 and expires on 28 February 2009.				
OPERATING LEASE COMMITMENTS				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– less than 1 year	**45**	29	**37**	28
– more than 1 year and less than 5 years	**150**	111	**127**	98
– more than 5 years	**42**	77	**19**	52
TOTAL	**237**	217	**183**	178
OPERATING SUBLEASE				
Non-cancellable operating lease rentals are receivable as follows:				
– less than 1 year	**5**	4	**5**	4
– more than 1 year and less than 5 years	**28**	23	**28**	23
– more than 5 years	**5**		**5**	
TOTAL	**38**	27	**38**	27

Annexure 1: Non-current interest-bearing borrowings

	Final repayment date	Rate of interest per year (payable half-yearly) 2003		Rate of interest per year (payable half-yearly) 2002		GROUP		COMPANY	
		Fixed %	**Floating %**	Fixed %	Floating %	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
LOCAL									
UNSECURED LOANS									
	2002/03				12,581		140		140
	2002/03				12,711		200		200
	2002/03				13,963		150		150
	2002/03				13,650		150		150
	2003/04		**15,030**		13,963	**75**	225	**75**	225
	2004/05		**10,340**		6,040	**99**	153	**99**	153
	2005/06	**13,210**				**200**		**200**	
	2005/06		**12,300**			**250**		**250**	
	2005/06		**14,220**			**250**		**250**	
	2007/08	**12,410**				**450**		**450**	
	2007/08				11,670		300		300
						1 324	1 318	**1 324**	1 318
SECURED LOAN									
	2003/04	**14,760**		14,678	[1]	**5**	22		
	2005/06	**14,939**		14,939	[2]	**43**	59		
	2007/08	**13,830**		13,830	[3]	**319**	360		
	2010/11	**14,200**			[4]	**741**			
						1 108	441		
FOREIGN									
UNSECURED LOANS (USD)									
	2005/06		**2,310**		2,875[5]	**32**	54		
	2013/14	**7,300**			[6]	**744**			
						776	54		
TOTAL NON-CURRENT INTEREST-BEARING BORROWINGS (note 17)						**3 208**	1 813	**1 324**	1 318

1. *Capitalised lease agreement secured by machinery, plant and equipment with a book value of R34 million (2002: R37 million), payable monthly.*
2. *Capitalised lease agreement secured by machinery, plant and equipment with a book value of R53 million (2002: R55 million), payable monthly.*
3. *Dedicated project finance facility for Ticor South Africa KZN (Pty) Limited and Ticor South Africa (Pty) Limited secured by notarial bond over property, plant and equipment with a book value of R968 million (2002: R943 million).*
4. *Dedicated project finance facility secured by notarial bond over property, plant and equipment with a book value of R1 414 million.*
5. *Payable semi-annually and varies with LIBOR.*
6. *US$100 million senior notes issued by Ticor Finance (ACT) (Pty) Limited, an entity controlled by Ticor Limited.*

Annexure 2: Investments in associates, joint ventures and other investments

	Nature of business[1]	Number of shares held	Percentage holding 2003 %	2002 %	Group carrying amount 2003 Rm	2002 Rm	Company carrying amount 2003 Rm	2002 Rm	Year-end other than 30 June
ASSOCIATED COMPANIES									
LISTED									
AST Group Limited	C	180 000 000	**26,74**	30,73	**69**	94	**86**	51	
Mincor Resources NL (Australian)	A	52 251 000	**30,13**	34,11	**31**	54			
Ticor Limited (Australian)[2]	A			49,15		1 004			31 December
UNLISTED									
Manganore Iron Mining Limited	A	25 000	**50,00**	50,00		2			
South Dunes Coal Terminal Co (Pty) Limited	A	1 333	**33,00**	33,00	**1**				
ZnERGY (Pty) Limited[3]	M	93		46,50		1		1	
TOTAL ASSOCIATED COMPANIES (note 11)					**101**	1 155	**86**	52	
JOINT VENTURES									
INCORPORATED									
UNLISTED									
Pietersburg Iron Company (Pty) Limited	A	4 000	**50,00**	50,00	**3**	3			
Safore (Pty) Limited	B	400	**40,00**	40,00					31 December
Sishen Shipping (Pty) Limited	B	400	**40,00**	40,00					31 December
Trans Orient Ore Supplies (Pty) Limited	D	4 000	**50,00**	50,00	**7**	16			
					10	19			
UNINCORPORATED									
Bridgetown Dolomite Mine	A		**50,00**	50,00	**7**	10	**7**	7	28 February
Safore	B		**40,00**	40,00					
					7	10	**7**	7	
TOTAL JOINT VENTURES (note 11)					**17**	29	**7**	7	
INVESTMENT COMPANIES									
Mineral Deposits Limited	A	11 299 000	**15,37**	15,37	**7**	9			
Other					**72**	28	**22**	21	
TOTAL OTHER INVESTMENTS (note 13)					**79**	37	**22**	21	
TOTAL INVESTMENT					**197**	1 221	**115**	80	
Market value of listed shares as at 30 June					**138**	1 340	**29**	149	
Directors' valuation of unlisted shares and joint ventures					**108**	60	**7**	31	

Where the above entities' financial year-ends are not coterminous with that of the company, financial information has been obtained from published information or management accounts as appropriate.

1. A – Mining, B – Shipping charter, C – Service, D – Iron ore merchant, M – Manufacturing.

2. Ticor Limited consolidated from 1 April 2003.

3. Previously Cross Continental Energy Storage System (Pty) Limited, consolidated from 1 December 2002.

The group's effective share of balance sheet, income statement and cash flow items in respect of associated companies and joint ventures are as follows:

	Associated companies		Joint ventures		Ticor Limited* (included in associated companies)	
	2003 Rm	2002 Rm	**2003 Rm**	2002 Rm	**2003 Rm**	2002 Rm
INCOME STATEMENTS						
REVENUE	**1 088**	1 518	**7**	31	**498**	755
Operating expenses	**(1 019)**	(1 301)	**(4)**	(11)	**(409)**	(623)
NET OPERATING PROFIT	**69**	217	**3**	20	**89**	132
Net financing costs	**(43)**	(9)			**(26)**	(7)
Income from investments						
Income from equity accounted investments	**(4)**	4			**(4)**	4
Impairment charge		(17)				
Exceptional items	**(3)**	(52)				(43)
Goodwill amortised	**(39)**	(42)				
(LOSS)/PROFIT BEFORE TAXATION	**(20)**	101	**3**	20	**59**	86
Taxation	**(6)**	(48)		(3)	**(19)**	(31)
(LOSS)/PROFIT AFTER TAXATION	**(26)**	53	**3**	17	**40**	55
Outside shareholders' interest	**5**					
NET (LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS	**(21)**	53	**3**	17	**40**	55
BALANCE SHEETS						
NON-CURRENT ASSETS	**1 346**	1 688	**6**	5	**1 207**	1 408
CURRENT ASSETS	**661**	893	**14**	96	**531**	678
TOTAL ASSETS	**2 007**	2 581	**20**	101	**1 738**	2 086
EQUITY AND LIABILITIES						
ORDINARY SHAREHOLDERS' EQUITY	**1 150**	1 394	**10**	21	**1 114**	1 251
MINORITY INTEREST	**2**	20				
NON-CURRENT LIABILITIES						
Interest-bearing borrowings	**445**	561			**401**	509
Non-current provisions	**21**	34			**21**	34
Deferred taxation and other	**60**	134			**54**	114
CURRENT LIABILITIES						
Interest-bearing borrowings	**47**	33		3		
Other	**282**	405	**10**	77	**148**	178
TOTAL EQUITY AND LIABILITIES	**2 007**	2 581	**20**	101	**1 738**	2 086
CASH FLOW STATEMENTS						
Net cash flows from operating activities	**42**	131	**(2)**	52	**56**	31
Net cash flows from investing activities	**(124)**	(365)			**(120)**	(208)
Net cash flows from financing activities	**(3)**	(78)	**(1)**			(141)
Foreign currency translations	**(8)**	163			**(8)**	163
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(93)**	(149)	**(3)**	52	**(72)**	(155)

** Consolidated from 1 April, only the nine months from 1 July 2002 to 31 March 2003.*

Annexure 3: Investments in subsidiaries[1]

	Country of incorporation[2]	Nature of business[3]	Issued capital – unlisted ordinary shares	Interest of company: Investment in shares		Indebtedness	
				2003	2002	**2003**	2002
			R	**R**	R	**Rm**	Rm
DIRECT INVESTMENTS							
Colonna Properties (Pty) Limited	RSA	B	200	**2 518 966**	2 518 966		
Cullinan Refractories (Pty) Limited[4]	RSA	A	1 000	**1 000**	1 000		
Ferroland Grondtrust (Pty) Limited	RSA	D	2	**2**	2	**19**	16
Glen Douglas Dolomite (Pty) Limited	RSA	A	10 000	**10 000**	10 000		5
Ticor South Africa KZN (Pty) Limited (effectively 80%)[5]	RSA	A	200	**6 003 355**	6 003 355	**572**	315
Kumba Base Metals Limited[6]	RSA	M	5 500 000	**247 712 500**	247 712 500	**(91)**	(228)
Kumba Base Metals Namibia (Pty) Limited	NAM	C	1	**1**	1		9
Kumba Coal (Pty) Limited	RSA	A	1	**1 000**	1 000	**464**	566
Kumba Properties (Groenkloof) (Pty) Limited[7]	RSA	B	1	**1**		**5**	
Kumba Properties (Kloofzicht) (Pty) Limited[8]	RSA	B	1	**1**			
Kumba Properties (Princess Grant) (Pty) Limited[9]	RSA	B	1	**1**		**1**	
Mineral Exploration Company of Southern Africa (Pty) Limited	RSA	B	200	**200**	200		
Rocsi Holdings (BVI) Limited	BVI	H	717 524 937	**1 129 720 003**	928 767 821		(36)
Sishen Iron Ore Company (Pty) Limited	RSA	A	1	**1 000**	1 000	**1 413**	1 605
Ticor South Africa (Pty) Limited (effectively 80%)[10]	RSA	M	510	**510**	510	**377**	337
INDIRECT INVESTMENTS							
Anacon Investments (Pty) Limited	RSA	A	100				
Coastal Coal (Pty) Limited	RSA	A	5 000			**(107)**	(118)
Confin Limited	MAU	C	1				
Downs Holding BV	NE	A	61 362				
Ferrofin (Jersey) Limited	JRS	C	56 916				
Groler Investments Limited	SWL	H	258 958				
Ipcor N.V.	NV	C	27 078				
Iscor Congo S.P.R.L.	DRC	C	747				
Kamofin Limited	MAU	C					
Kumba Africa BV	NE	A	61 362				27
Kumba Australia (Pty) Limited	AUS	C	11				
Kumba Finance Ireland Limited	IRL	C	1 225 200				
Kumba Holdings (BVI) SA	BVI	H	9 437 677				
Kumba Holdings (Australia) (Pty) Limited	AUS	H	5				
Kumba Hong Kong Limited	HK	C	832				
Kumba International BV	NE	C	9 961 692			**14**	16
Kumba Investments (Australia) (Pty) Limited	AUS	H	5				
Minsa (Pty) Limited	RSA	B	3			**(1)**	(1)
Mtunzini Sands (Pty) Limited	RSA	A	200				
Rosh Pinah Zinc Corporation (Pty) Limited (95%)	NAM	A	2 000			**53**	49
Sishen South Mining (Pty) Limited	RSA	A	1				
Taurus Marine Limited	CMN	S	1 000				
Ticor Limited (effectively 51,38%)	AUS	A	420 679 000			**67**	
Ticor Chemical Company (Pty) Limited (effectively 51,38%)	AUS	M	10				
Crisa (Pty) Limited (effectively 51,38%)	AUS	C	10				
Bertini (Pty) Limited (effectively 51,38%)	AUS	C	10				
Ticor Chemicals Ghana (Pty) Limited (indirect 51,38%)	GHANA	C	10				
Omacor Sac (effectively 51,38%)	PERU	C	10				