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POWERING POSSIBILITY

Exxaro Resources Limited

Group and company annual financial statements
for the year ended 31 December 2021

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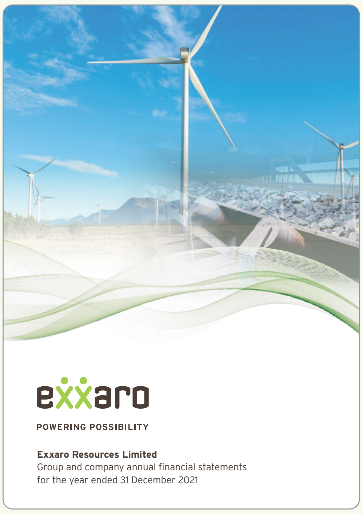
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ACRONYMS

Adjusted Group Earnings	Group core net profit after tax (excluding SIOC core equity-accounted income) less NOI of Exxaro subsidiaries (excluding WCI of Eyesizwe)
AGM	Annual general meeting
Amakhala SPV	Amakhala Emoyeni RE Project 1 (RF) Proprietary Limited
Anglo	Anglo South Africa Capital Proprietary Limited
ADX	K2018621183 (South Africa) Proprietary Limited
API4	All publications index 4 (FOB Richards Bay 6000/kcal/kg)
Arnot Opco	Arnot Opco Proprietary Limited
AU$	Australian dollar
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
BEE Parties	External shareholders of Eyesizwe
Black Mountain	Black Mountain Proprietary Limited
CAF	Combined Assurance Forum
Cennergi	Cennergi Proprietary Limited or Cennergi group of companies
CEO	Chief Executive Officer
CFR	Cost and freight
CGU	Cash-generating unit
Chifeng	Chifeng NFC Zinc Co. Limited
Companies Act	Companies Act No 71 of 2008, as amended
CPI	Consumer price index
cps	Cents per share
Curapipe	Curapipe Systems Limited
CV	Calorific value
DBP	Deferred bonus plan
DCF	Discounted cash flow
DEA	Department of Environmental Affairs
DMRE	Department of Mineral Resources and Energy
DMTN	Domestic Medium-Term Note
Dorstfontein	Dorstfontein Coal Mines Proprietary Limited
DVA	Debit value adjustment
EBITDA	Net operating profit before interest, tax, depreciation, amortisation, impairment charges or reversals and net losses or gains on the disposal of assets and investments (including translation differences recycled to profit or loss)
ECC	Exxaro Coal Central Proprietary Limited
ECL(s)	Expected credit loss(es)
EMJV	Ermelo joint venture
ERP	Enterprise Resource Planning
ESD	Enterprise and supplier development
ESG	Environment, social and governance
ESOP	Employee share option scheme
Exxaro	Exxaro Resources Limited
Exxaro Beijing	Exxaro Resources (Beijing) Commercial Company Limited
Exxaro Community NPC	Exxaro Matla Setshabeng Development NPC
Exxaro ESOP SPV	Exxaro ESOP SPV RF Proprietary Limited

Eyesizwe	Eyesizwe (RF) Proprietary Limited, a special purpose private company which has a 30.81% (2020:30%) shareholding in Exxaro
FCTR	Foreign currency translation reserve
FEC(s)	Forward exchange contract(s)
FTSE	Financial Times Stock Exchange
Ferroland	Ferroland Grondtrust Proprietary Limited
FOB	Free on board
FPR:2015	Financial provisioning regulations, 2015
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
GAM	Global Asset Management Limited
GG	Grootegeluk
GHG	Greenhouse gas
GWh	Gigawatt hour
HDSA	The meaning given to it, or any equivalent or replacement term, in the broad-based socio-economic empowerment charter for the South African Mining Industry, developed under section 100 of the MPRDA, as amended or replaced from time to time
HEPS	Headline earnings per share
IAS	International Accounting Standard(s)
IASB	International Accounting Standards Board
IBOR	Inter bank offer rate
ICT	Information and communication technology
IFRIC	IFRS Interpretations Committee
IFRS	International Financial Reporting Standard(s)
IM	Information management
Insect Technology	Insect Technology Group Holdings UK Limited
IPP	Independent Power Producer
IT	Information technology
JIBAR	Johannesburg Interbank Average Rate
JSE	JSE Limited
JV	Joint venture
kcal	Kilocalorie
King IV™	King IV Report on Corporate Governance™ for South Africa, 2016[1]
KIO	Kumba Iron Ore Limited
KPI(s)	Key performance indicator(s)
ktCO$_2$eq	Kilotonnes of carbon dioxide equivalent
LGD	Loss given default
LightApp	LightApp Technologies Limited
Listings Requirements	JSE Listings Requirements
LoM	Life of mine
LTIFR	Lost-time injury frequency rate
LTIP	Long-term incentive plan
Mafube	Mafube Coal Proprietary Limited
MoI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act 28 of 2002

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

ACRONYMS continued

Mt	Million tonnes
NCI(s)	Non-controlling interest(s)
NCOE	Notional cost of employment
NEMA	National Environmental Management Act, 1998
NPC	Not-for-profit company
OCI	Other comprehensive income
Overlooked Colliery	Overlooked Colliery Proprietary Limited
PD	Probability of default
PIC	Public Investment Corporation
PPI	Producer Price Index
Prime Rate	South African prime bank rate
PV	Photovoltaic
PwC	PricewaterhouseCoopers Incorporated
RBCT	Richards Bay Coal Terminal Proprietary Limited
Replacement BEE Transaction	BEE transaction which was implemented in 2017 and resulted in Exxaro being held 30% by HDSAs
Rm	Rand million
ROCE	Return on capital employed
RSA	Republic of South Africa
SAICA	South African Institute of Chartered Accountants
SAMREC Code	The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SIOC	Sishen Iron Ore Company Proprietary Limited
SME(s)	Small and medium enterprise(s)
SMME(s)	Small, medium and micro enterprises
SPA	Sale and purchase agreement
SPPI	Solely payments of principal and interest
SSCC	Semi-soft coking coal
Tata Power	Tata Power Company Limited
TCFD	Task Force on Climate-Related Financial Disclosures
Thungela	Thungela Resources Limited, through its subsidiary South Africa Coal Operations Proprietary Limited
TiO_2	Titanium dioxide
Tronox	Exxaro's investment in Tronox entities
Tronox SA	Tronox KZN Sands Proprietary Limited and Tronox Mineral Sands Proprietary Limited
Tsitsikamma SPV	Tsitsikamma Community Wind Farm Proprietary Limited
TSR	Total shareholder return
Tumelo	Tumelo Coal Mines Proprietary Limited
TVP(s)	Targeted Voluntary Severance Package(s)
UK	United Kingdom
US$	United States dollar
USA	United States of America
VAT	Value Added Tax
WANOS	Weighted average number of shares

CHAPTER 1:
THE YEAR IN BRIEF

CHAPTER 1:
The year in brief

HIGHLIGHTS

↑ **R32.8 billion**
Revenue, up 13%

↑ **R10.6 billion**
Cash generated by operations, up 36%

↑ **R10.7 billion**
EBITDA, up 47%

R11.75 per share
Final dividend

↑ **R46.83 per share**
Headline earnings, up 58%

GROUP FINANCIAL RESULTS

Revenue

Group revenue increased by 13% to R32 771 million (2020: R28 924 million), mainly due to the increase in coal revenue and the inclusion of renewable energy revenue from Cennergi for the full 12 months compared to nine months in 2020.

Earnings

Earnings increased 74% (or R5 384 million) to R12 667 million (2020: R7 283 million) or 5 128 cps (2020: 2 902 cps). The increase in earnings was mainly due to better profitability from controlled operations and higher equity-accounted income from SIOC, driven by high iron ore export prices and price premia.

Headline earnings increased to R11 568 million (2020: R7 417 million) or 4 683 cps (2020: 2 955 cps). There was a slight decrease in the WANOS to 247 million (2020: 251 million) as a result of shares repurchased and cancelled in terms of the R1.5 billion share repurchase programme. The total number of shares repurchased was 9 401 662 shares, representing 2.62% of Exxaro's issued share capital before the buy-back.

Refer note 5.3 for the detailed headline earnings reconciliation.

Cash flow and funding

Cash flow generated by operations was up 36% to R10 552 million (2020: R7 770 million) and, together with the dividends received from our equity-accounted investments of R9 991 million (2020: R3 263 million), were sufficient to fund capital expenditure and ordinary dividends paid.

Following the disposal of Exxaro's remaining shareholding in Tronox Holdings plc for R5 763 million, a special dividend of R1 363 million was paid to external shareholders, and a share repurchase programme of R1.5 billion was implemented with the last trade executed on 2 November 2021.

Total capital expenditure decreased to R2 471 million (2020: R3 175 million), comprising R1 635 million sustaining capex and R836 million expansion capex.

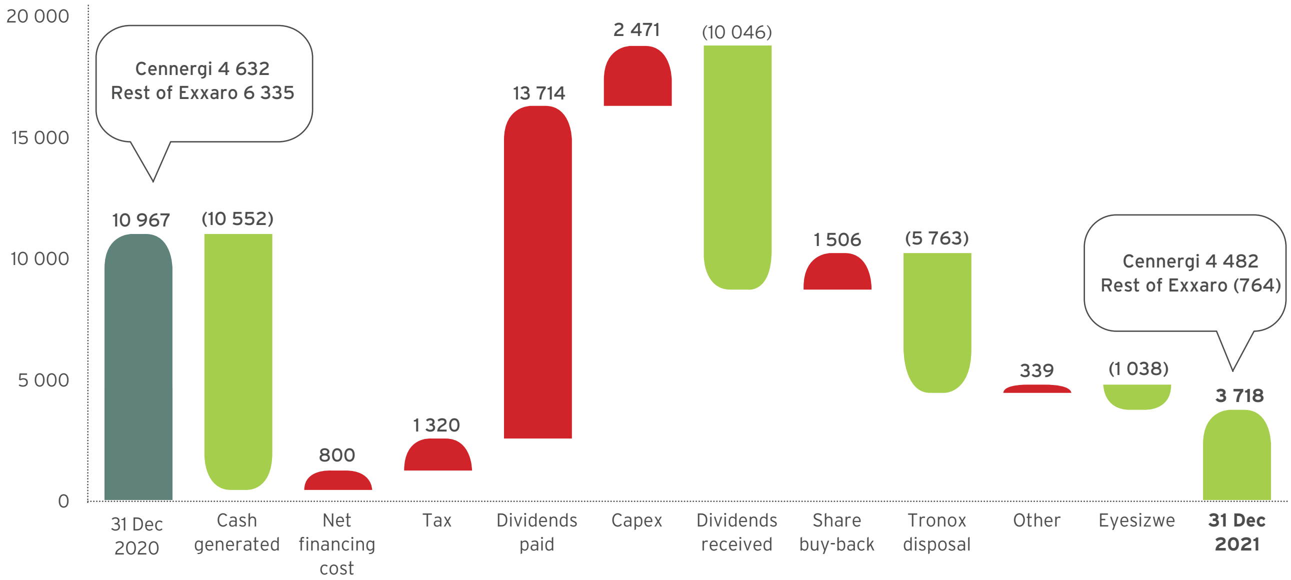
Debt exposure

Our positive operational results and monetisation of our investment in Tronox Holdings plc strengthened our statement of financial position, resulting in a net cash position of R764 million (excluding Cennergi's net debt of R4 482 million) at 31 December 2021 compared to net debt of R6 335 million (excluding Cennergi's net debt of R4 632 million) at 31 December 2020.

In April 2021, Exxaro also successfully refinanced its R8 billion loan facility with various financial institutions.

As a result, the group has sufficient liquidity to navigate through the current uncertain operating environment.

Net debt movement analysis (Rm)



COAL BUSINESS

Revenue

Chinese and Indian governments continue to wield significant influence over thermal coal seaborne markets by deploying domestic protectionist policies such as price controls, tariffs, and quotas. China's ban on Australian coal imports is also shifting more Australian coal to India, and imports from further afield into China.

After reaching record highs in mid-October 2021, thermal coal prices have started to ease as China's restrictions on power demand and supply intervention drove down domestic prices. However, current price levels are still well above marginal costs, owing to strong winter demand, a tight gas balance in Europe and the La Nina weather pattern bringing heavy rainfall and flooding to key exporters in the Pacific market. The lack of coal in the spot market in Australia, Russia and South Africa also provided support to high ash coal prices, whilst the Indonesian low-ranking coal has been more exposed to China's domestic coal price correction.

The domestic low CV market experienced subdued demand due to weak demand from Eskom. Most of the exporters prioritised railing high CV products to maximise returns on limited export rail availability, with the lower quality unsized export coal sold domestically to reduce high stockpiles.

Exxaro, along with other South African coal exporters, were severely constrained by a lack of sufficient logistical rail capacity. Locomotive unavailability remains a huge challenge, combined with cable theft, vandalism, and sabotage of rail infrastructure. This resulted in the industry only railing 58.1Mt to RBCT in 2021 (2020: 70.1Mt). Exxaro export volumes decreased by 37% from 12.2Mt in 2020 to 7.6Mt in 2021.

The average benchmark API4 RBCT export price of US$124 per tonne was 90% higher (2020: US$65 per tonne), resulting in a 100% increase in the average realised export price for Exxaro of US$96 per tonne (2020: US$48 per tonne).

COAL BUSINESS continued

Capex and projects

The coal business's capital expenditure decreased 22% in 2021. Sustaining capital decreased 26% driven mainly by lower spend at Grootegeluk, Leeuwpan, Belfast and the disposal of ECC in September 2021. Expansion capital decreased 12% as we completed the construction on the GG6 project and the Belfast mine.

Coal capex	2021 Rm	2020 Rm	Change %
Sustaining	1 564	2 110	(26)
Commercial – Waterberg	1 285	1 683	(24)
Commercial – Mpumalanga	261	411	(37)
Other	18	16	13
Expansion	836	950	(12)
Commercial – Waterberg	705	643	10
Commercial – Mpumalanga	131	307	(57)
Total coal capex	2 400	3 060	(22)

Equity-accounted investment

Mafube, our 50% joint venture with Thungela, recorded equity-accounted income of R375 million (2020: R67 million). This increase is mainly due to higher export prices realised, partially offset by lower sales volumes and a stronger exchange rate.

ENERGY BUSINESS

The two Cennergi windfarms were operating at slightly lower than planned capacity due to lower than expected windspeeds, increased maintenance in low wind periods as well as the production time lost during the end of 5-year warranty inspections impacting energy generation negatively. Combined electricity generation was 724GWh (2020: 727GWh based on 12-month period).

Normalised Cennergi EBITDA margin exceeds 80%, which shows the consistency of earnings and margins underpinned by long-term offtake agreements.

The Cennergi project financing of R4 700 million (2020: R4 810 million) will mature over time and be fully settled in 2031. It has no recourse to the Exxaro balance sheet and is hedged through interest rate swaps at an effective rate of 11.9%.

FERROUS BUSINESS

Equity-accounted investment

The 48% increase in equity-accounted income from SIOC to R9 037 million (2020: R6 125 million), was primarily driven by the higher iron-ore prices and price premia.

An interim dividend of R6 329 million was received from our investment in SIOC in August 2021 (2H20: R1 706 million). SIOC declared a final dividend to its shareholders in February 2022. Exxaro's 20.62% share of the dividend amounts to R2 655 million, which is 58% lower than the interim dividend received. The dividend will be accounted for in the first half of 2022.

SALE OF NON-CORE ASSETS AND INVESTMENTS

Exxaro concluded its strategy to monetise its investment in Tronox Holdings plc when Tronox Holdings plc exercised the "flip-in" call option for the Tronox SA shares. This became effective on 24 February 2021 and resulted in the deemed disposal of the Tronox SA shares in exchange for Tronox Holdings plc Ordinary Shares. On 1 March 2021, all the Tronox Holdings plc Ordinary Shares were sold.

On 8 April 2021, Exxaro signed an SPA to dispose of our ECC operation to Overlooked Colliery. All conditions precedent to the SPA were fulfilled and the transaction became effective on 3 September 2021.

The disposal process for Leeuwpan continues with definitive legal agreements envisaged to be signed in the first half of 2022, and regulatory approvals obtained thereafter.

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

SUSTAINABLE DEVELOPMENT

Climate change response strategy implementation

The decarbonisation project management office (DPMO) was established in June 2021 to coordinate the decarbonisation activities across the group and compile a detailed baseline of our emissions. A multi-functional project team, comprising 10 functional and four cross-functional streams, has been established to develop a group-wide decarbonisation system and 2050 carbon neutrality pathway streams.

The team has compiled a detailed emissions baseline for the organisation and identified potential emission reduction opportunities from the planned projects. In the 2020 audited GHG emission data, Exxaro's total emissions were 66 000 ktCO_2eq, with Scope 1 accounting for 0.49%, Scope 2 for 0.76% and Scope 3 for 98.75%. A detailed breakdown of our emissions sources reveals that:

- Diesel accounts for 67% of the total Scope 1
- Methane emissions (ie fugitive emissions from the coal seam) accounts for 31% of Scope 1
- Grootegeluk accounts for 73% of Scope 2 emissions which are the result of electricity purchases and use from Eskom

The organisation has opportunities to reduce current Scope 1 and Scope 2 emissions by 40% by 2025 with the implementation of the following initiatives:

- Grootegeluk solar PV project
- Execution of the pollution prevention plans, which are part of our compliance responsibilities
- Finalisation of divestment activities of Leeuwpan.

The implementation of the Grootegeluk renewable energy project will significantly reduce Exxaro's Scope 2 emissions, given the materiality of Grootegeluk's contribution. Additional GHG mitigation activities have been identified through the decarbonisation projects, and the team is refining the business case to ensure maximum value can be obtained for the organisation.

Social investment

Our social investment and engagement activities continued from 2020 within the COVID-19 environment, taking the necessary precautions. Our primary focus was to execute our ESD programme and implementation of community infrastructure projects, especially those related to water supply.

We achieved a local procurement spend of 11.3%, equal to R1.05 billion compared to our target of 10% and a prior year achievement of 4.5%, doubling our local procurement spend to empower over 241 local black owned SMMEs.

During the year under review, we approved total ESD funding of R127.7 million to 15 SMMEs employing 243 people. We onboarded and provided support to 97 beneficiaries on the contractor development programmes, in partnership with the Gordon Institute of Business Science and 29 enterprise owners on a financial excellence programme with the SAICA enterprise development programme.

A total of R64 million was spent on the completion of schools, an ESD hub, water, and sanitation infrastructure projects through our Social and Labour Plans, in both Mpumalanga and Waterberg. A total of 205 jobs were created during the construction periods, with 53 484 community members being positively impacted, including 272 households, school children, women and youth entrepreneurs.

Changes in municipal leadership, post the local government elections, brought some stability which bodes well for current and future engagements and collaboration for local investment and community development.

SHAREHOLDER RETURN

We will remain prudent in returning cash to shareholders, managing debt, and selectively reinvesting for the growth of our business.

Our strategic approach to build our renewable energy business necessitated a review of our dividend policy, which was approved by the board of directors in March 2021.

The revised dividend policy is based on the following two components:

- A targeted cover ratio of 2.5 times to 3.5 times Adjusted Group Earnings; and
- Pass-through of the SIOC dividend.

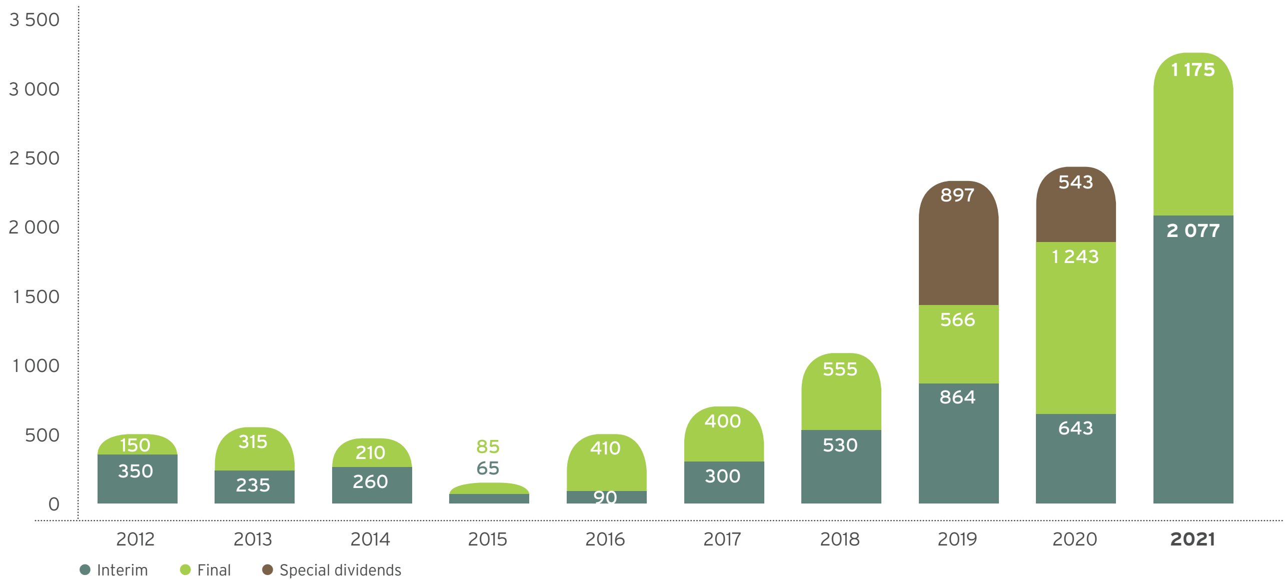
Exxaro will continue to target a gearing ratio of below 1.5 times net debt (excluding ring-fenced project financing) to EBITDA.

SHAREHOLDER RETURN continued

The board of directors has declared a cash dividend, comprising:
- 2.5 times Adjusted Group Earnings; and
- Pass-through of SIOC dividend of R2 655 million.

The gross final cash dividend of 1 175 cps, for the year ended 31 December 2021 was declared on 3 March 2022, and is payable to shareholders of ordinary shares on 9 May 2022.

Historic dividend declarations (cps)



CHAPTER 2:
Reports

CHAPTER 2:
Reports

2.1 RESPONSIBILITY STATEMENT ON INTERNAL FINANCIAL CONTROLS

The directors, whose names are stated below, hereby confirm that:

(a) The annual financial statements, as set out on pages 28 to 178, fairly present in all material respects the financial position, financial performance and cash flows of the company and its consolidated subsidiaries in terms of IFRS

(b) No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading

(c) Internal financial controls have been put in place to ensure that material information relating to the company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the company and its consolidated subsidiaries

(d) The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements for the year ended 2021, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code™. Where we were not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have taken the necessary remedial action.

MDM Mgojo
Chief executive officer

PA Koppeschaar
Finance director

Centurion
4 April 2022

2.2 CERTIFICATE BY THE GROUP COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I, AT Ndoni, in my capacity as group company secretary, confirm that, to the best of my knowledge and belief, Exxaro has filed with the Companies and Intellectual Property Commission all such returns and notices for the year ended 31 December 2021, as required of a public company in terms of the Companies Act, and that all such returns and notices appear to be true, correct and up to date.

AT Ndoni
Group company secretary

Centurion
4 April 2022

2.3 REPORT OF THE DIRECTORS

The directors have pleasure in presenting the group and company annual financial statements of Exxaro Resources Limited for the year ended 31 December 2021 (group and company annual financial statements 2021).

Nature of business

Exxaro is a large South African-based diversified resources group with interests in the coal, energy and ferrous markets. Exxaro's assets include controlled and operated assets, a joint operation as well as equity-accounted investments. The major controlled assets are the coal operations, with Exxaro being one of the top-five coal producers in South Africa and, in turn, Grootegeluk is acknowledged as one of the most efficient mining operations globally and runs the world's largest coal beneficiation complex.

While coal is the core of our business now, Exxaro understands the finite nature of the fossil-fuel sector and changing global imperatives. Exxaro is therefore in the process of transitioning to a sustainable minerals and energy business in a low carbon economy. As part of this transition, Exxaro acquired Tata Power's 50% interest in Cennergi Proprietary Limited on 1 April 2020, giving Exxaro a 100% interest in this utility scale wind-farm energy generation producer. The aim of Exxaro's energy business, branded as Cennergi, is to build a leading global renewable energy solutions business.

Exxaro's investments in associates include its 20.62% (2020: 20.62%) equity interest in SIOC, which extracts and processes iron ore, a 26% (2020: 26%) equity interest in Black Mountain which produces zinc, lead, copper and silver in the Northern Cape; and a 10.26% (2020: 10.26%) effective equity interest in RBCT which is export terminal.

Exxaro is a public company incorporated in South Africa and is listed on the JSE. It is also a constituent of the JSE's Top 40 index, as well as the top 30 in the FTSE/JSE Responsible Investment Index with headquarters in Centurion, South Africa. Since 2 April 2020, Exxaro's secondary listing on A2X became effective. Exxaro retained its primary listing on the JSE and its issued share capital was unaffected by the secondary listing on A2X.

Divestment of non-core assets and investments

Tronox SA

On 23 February 2021, Tronox Holdings plc exercised its "flip-in" call option over Exxaro's 26% shareholding in Tronox SA, for which Tronox Holdings plc delivered 7 246 035 newly issued Tronox Holdings plc Ordinary Shares to Exxaro on 24 February 2021. This resulted in the derecognition of the investment in Tronox SA and recognition of an additional investment in Tronox Holdings plc (refer note 6.1.4).

Tronox Holdings plc

On 1 March 2021, Exxaro concluded a public offering in the United States of its 21 975 315 Tronox Holdings plc Ordinary Shares. The shares were sold at a public offering price of US$18.25 per share which was reduced by underwriting discounts and commissions resulting in an achieved price per share of US$17.43. This resulted in the derecognition of the investment in Tronox Holdings plc and the achievement of Exxaro's strategy to monetise its investment in Tronox Holdings plc (refer note 6.1.4).

ECC operation

On 8 April 2021, Exxaro signed an SPA with Overlooked Colliery to dispose of the ECC operation. All conditions precedent to the SPA were fulfilled and the transaction became effective on 3 September 2021 (refer note 8.3).

Leeuwpan

The disposal process for Leeuwpan continues with definitive legal agreement envisaged to be signed in the first half of 2022, and regulatory approvals obtained thereafter.

Black Mountain

Exxaro continues to evaluate its options to dispose of its 26% shareholding in Black Mountain.

Integrated report and supplementary information

The integrated report and supplementary information contain material information on the activities and performance of the group and its various divisions. These reports are unaudited. The board of directors acknowledge its responsibility to ensure the integrity of the integrated report and supplemental information. We have accordingly applied our minds to the integrated report and believe the report addresses all material issues, and fairly presents the integrated performance, impact and sustainability of the organisation.

Corporate governance

The board of directors drives the Exxaro strategy and budget and sets performance and culture expectations as well as the governance framework for the group. The board of directors is therefore the focal point and custodian of corporate governance for the group. At the core of Exxaro's corporate governance are principles that guide the board of directors in meeting its responsibilities to the company and its stakeholders, to enable the company to achieve the King IV™ governance outcomes and fulfil its purpose to power better lives in Africa and beyond. The board of directors therefore regards good corporate governance as fundamentally important to create value and achieve the recommended governance outcomes in its own ethical and effective leadership. The board of directors assumes ultimate accountability and responsibility for the company's performance and affairs. In so doing, it effectively represents and promotes its legitimate interests. As a responsible corporate citizen, it also considers its material stakeholders' legitimate interests and expectations to make a positive contribution to society at large. Full details on how these principles have been applied in Exxaro are set out in the 2021 integrated report.

2.3 REPORT OF THE DIRECTORS continued

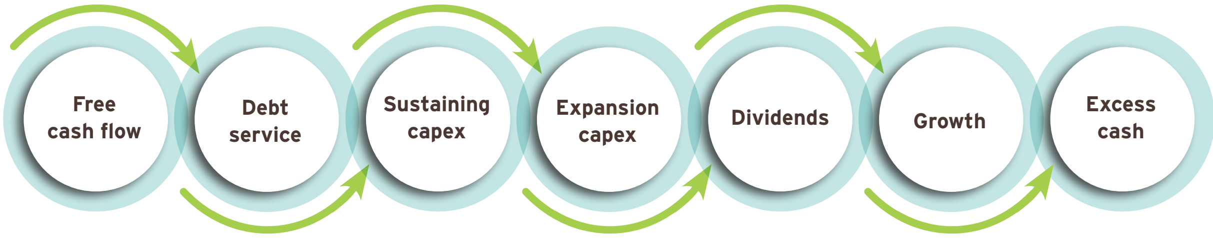
Comparability of results

The results for the years ended 31 December 2021 and 2020 are not comparable due to the key items as noted in the headline earnings reconciliation (refer note 5.3).

Accounting policies

The accounting policies applied during the year ended 31 December 2021 are consistent, in all material respects, with those applied in the group and company annual financial statements for the year ended 31 December 2020. The company accounting policy on inclusions in revenue has been revised and the comparative information has been restated to reflect this revision (refer note 19.2).

Capital management



The diagram above represents the order of our capital allocation framework. In applying our capital allocation framework, we aim for a gearing ratio of below 1.5 times net debt (excluding ring-fenced project financing) to EBITDA. The capital allocation framework is in line with our commitment to sustainably returning cash to shareholders through the cycle while retaining a strong financial position.

During 2021, we received cash of R25 billion (2020: R10.1 billion), comprising R9.2 billion from our operations (net of tax paid) (2020: R6.8 billion), dividend income received from our equity-accounted investments of R10.0 billion (2020: R3.3 billion) and proceeds received from the disposal of our investment in Tronox Holdings plc of R5.8 billion.

In terms of our capital allocation framework, we utilised this cash, to mainly:
- Service our debt (net of interest received) of R0.8 billion (2020: R1.1 billion)
- Sustain our operations with capital expenditure of R1.6 billion (2020: R2.2 billion)
- Expand our operations with further capital expenditure of R0.8 billion (2020: R1 billion)
- Pay dividends of R12.7 billion (2020: R4 billion)
- Acquire Exxaro shares in the market to the value of R382 million (2020: R270 million) to settle vested share-based payment schemes
- Implemented our share repurchase programme of R1.5 billion.

At 31 December 2021, our net cash to EBITDA cover ratio was (0.1) (2020: net debt to EBITDA cover ratio 0.96), which is below our target of 1.5 times. Net cash or debt excludes ring-fenced project financing.

In April 2021, Exxaro successfully refinanced its R8 billion loan facility with various financial institutions, of which R3.25 billion remains undrawn (Refer note 12.1.4 for the salient terms and conditions of the new facilities).

Share capital

During 2021, Exxaro embarked on and concluded a share repurchase programme of R1.5 billion. The total number of ordinary shares repurchased was 9 401 662 ordinary shares, representing 2.62% of Exxaro's issued ordinary shares prior to the share repurchase programme. The ordinary shares were repurchased at an average price of R159.55 per share.

The share capital of the company is summarised as follows:

	Number of shares	
At 31 December	**2021**	**2020**
Authorised ordinary shares of R0.01 each	500 000 000	500 000 000
Issued ordinary shares of R0.01 each	349 305 092	358 706 754
Treasury shares held by Kumba Resources Management Share Trust	158 218	158 218
Treasury shares held by Eyesizwe	107 612 026	107 612 026

Shareholders

An analysis of shareholders and the respective percentage shareholdings appears in chapter 20: annexure 1.

Investments in subsidiaries

Our investment in subsidiaries are fully disclosed in note 17.6.

Dividend payments

The dividend policy is to consider an interim and final dividend for each financial year. At its discretion, the board of directors may consider a special dividend where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors may approve the declaration and payment of dividends.

Exxaro's dividend policy comprises the following two components:

- 2.5 times to 3.5 times Adjusted Group Earnings; and
- Pass-through of the SIOC dividend.

Exxaro declared the following dividends relating to 2021:

Dividend number 37

Interim dividend number 37 of 2 077 cps was approved by the board of directors on 10 August 2021 and declared in South African rand in respect of the six-month period ended 30 June 2021. The dividend payment date was Monday, 4 October 2021, to shareholders recorded on the register of the company at close of business on Friday, 1 October 2021.

Dividend number 38

Final dividend number 38 of 1 175 cps was approved on 1 March 2022 and declared in South African rand in respect of the year ended 31 December 2021. The final dividend payment date is Monday, 9 May 2022 to shareholders recorded on the register of the company at close of business on Friday, 6 May 2022 (record date). To comply with the requirements of Strate, the last date to trade cum dividend is Tuesday, 3 May 2022. The shares will commence trading ex-dividend on Wednesday, 4 May 2022.

The final dividend declared is subject to dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 940.00000 cps. The number of ordinary shares in issue at the date of this declaration is 349 305 092. Exxaro company's tax reference number is 9218/098/14/4.

Events after the reporting period

The events after the reporting period are disclosed in note 18.3.

Directorate and shareholdings of directors

During 2021, the company welcomed to the board of directors:

- Ms Chanda Nxumalo as an independent non-executive director, with effect from 1 February 2021
- Ms Mandla Msimang as a non-executive director, with effect from 15 March 2021
- Mr Geoffrey Qhena as an independent non-executive director and the chairperson designate, with effect from 19 April 2021
- Mr Isaac Malevu as a non-executive director, with effect from 22 June 2021.

With thanks for their years of service to the company, Mr Jeff van Rooyen, who has been an independent non-executive director since August 2008 and also served as chairman of the board of directors, retired at the AGM on 27 May 2021 and Mr Mark Moffett, who resigned as independent non-executive director of the company and member of the Exxaro audit committee, effective 11 May 2021.

In accordance with a clear leadership succession plan, Dr Nombasa Tsengwa was appointed as an executive director to the company's board of directors with the designation CEO-designate, effective 16 March 2021.

2.3 REPORT OF THE DIRECTORS continued

Directorate and shareholdings of directors continued

In respect of the office of the group company secretary, Ms Saret van Loggerenberg resigned as group company secretary with effect from 18 February 2021, following which Inlexso Proprietary Limited was appointed as the interim group company secretary. The board of directors appointed Ms Andiswa Ndoni as the group company secretary with effect from 1 November 2021.

The company welcomed Dr Pumla Mnganga, Ms Karin Ireton and Mr Billy Magara to the board of directors as independent non-executive directors, effective from 7 February 2022.

The board of directors has approved the early exit of Mr Mxolisi Mgojo with effect from 31 July 2022. The appointment of Dr Nombasa Tsengwa as chief executive officer will be effective as from 1 August 2022. The board of directors thanks Mr Mgojo for his invaluable contribution to Exxaro and wishes him well in his retirement and looks forward to Dr Tsengwa's management of the company.

In addition, Mr Kgabi Masia was appointed in the position of managing director: Minerals, formerly held by Dr Tsengwa. Mr Masia has exposure to Manganese, Coal and Aluminium Operations in his career. He has also worked across multiple functions such as operations, commercial, supply and logistics at a general manager level and brings deep insight of the sector. He has led and executed decarbonisation strategies and exits. He has operated at executive level when he led South32's SA Coal business and has served more broadly on the Minerals Council. Mr Masia's most recent role was president, South Africa Energy Coal for South32 and he has worked for one company his entire career (South32/BHP).

At the date of compilation of this report, the following individuals were directors of the company:

Mr Geoffrey Qhena (chairman)	Independent non-executive
Dr Geraldine Fraser-Moleketi (lead independent director)	Independent non-executive
Ms Karin Ireton	Independent non-executive
Mr Ben Magara	Independent non-executive
Mr Isaac Malevu	Non-executive
Mr Billy Mawasha	Independent non-executive
Ms Likhapha Mbatha	Non-executive
Dr Phumla Mnganga	Independent non-executive
Mr Zwelibanzi Mntambo	Non-executive
Mr Isaac Mophatlane	Independent non-executive
Ms Mandlesilo Msimang	Non-executive
Mr Ras Myburgh	Independent non-executive
Mr Vuyisa Nkonyeni	Independent non-executive
Ms Chanda Nxumalo	Independent non-executive
Mr Peet Snyders	Independent non-executive
Mr Mxolisi Mgojo (CEO)	Executive
Dr Nombasa Tsengwa (CEO – designate)	Executive
Mr Riaan Koppeschaar (finance director)	Executive

Details of the directors in office at the date of this report are set out in the integrated report 2021.

Details of directors' shareholdings are contained in note 14.5.3.

Independent external auditor

PwC was re-elected as independent external auditor on 27 May 2021 in accordance with section 90 of the Companies Act in respect of the 2021 financial year.

KPMG Consortium, with designated audit partner Ms Safeera Loonat, was appointed at the AGM held on 27 May 2021, as the new independent external auditor of the group for the financial year starting from 1 January 2022.

Audit committee

The audit committee report appears on pages 18 to 22, as well as in the 2021 integrated report.

Borrowing powers and financial assistance

	Group	
	2021 Rm	2020 Rm
Amount approved	49 438	48 476
Total interest-bearing borrowings	(10 255)	(13 611)
Unutilised borrowing capacity	39 183	34 865

The borrowing powers were set at 125% of shareholders' funds (equity attributable to owners of the parent) for both the 2021 and 2020 financial years.

Pursuant to the authorisation granted at the AGM held on 27 May 2021, shareholders approved, in accordance with section 45 of the Companies Act, the granting of financial assistance to related and inter-related companies of Exxaro.

The directors resolved that the company would satisfy the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Companies Act, post such assistance. The terms under which such assistance will be provided are fair and reasonable to the company.

Employee incentive schemes

Details of the employee incentive schemes are set out in note 14.3, as well as in the remuneration and nomination committee report of the integrated report 2021 and the supplementary information.

Related-party transactions

Details of related-party transactions are set out in note 15.1.

Going concern

The directors believe that the group and company have adequate financial resources to continue in operation for the foreseeable future. Accordingly, the group and company annual financial statements 2021 have been prepared on a going-concern basis.

The directors are not aware of any new material changes, or any material non-compliance with statutory or regulatory requirements that may adversely impact the group or company.

Registration details

The company registration number is 2000/011076/06. The registered office is the conneXXion, 263B West Avenue, Die Hoewes, Centurion. Refer chapter 20: annexure 3 for further details.

Lead equity sponsor and debt sponsor

Absa Bank Limited acted as lead equity sponsor and debt sponsor to the company for the financial year ended 31 December 2021.

Joint equity sponsor

Tamela Holding Proprietary Limited acted as joint equity sponsor to the company for the financial year ended 31 December 2021.

Transfer secretaries

Computershare Investor Services Proprietary Limited serves as the South African registrar of the company.

AGM

The 21st (twenty first) AGM of shareholders of Exxaro will be held via electronic communication and/or in person (subject to any adjournment or postponement, health and safety protocols) at the conneXXion, 263B West Avenue, Die Hoewes, Centurion, South Africa, at 10:00 on Wednesday, 25 May 2022 to consider and, if deemed fit, pass with or without modification, the resolutions presented thereat.

2.4 AUDIT COMMITTEE REPORT

The audit committee (the committee) is pleased to present the audit committee report for the year ended 31 December 2021.

Role and purpose

The committee is an independent, statutory committee whose members are appointed annually by Exxaro's shareholders in compliance with Section 94 of the Companies Act and the principles of good governance. In terms of the Companies Act, this committee has an independent role with accountability to the board of directors and shareholders of the company. The committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management, nor does it assume accountability of the functions performed by other committees of the board of directors. In addition to the Companies Act, the committee's duties are guided by the Listings Requirements, King IV™ and its terms of reference.

The committee is governed by its terms of reference that codifies its roles and responsibilities. To assist the board of directors, the committee plays an essential role in providing independent oversight over the following:

- Quality and integrity of the financial statements and related public announcements
- Integrity and content of the integrated reporting process
- Qualification and independence of the external auditor
- Scope and effectiveness of the external audit function
- Scope and effectiveness of the overall combined/integrated assurance process
- Effectiveness of the internal controls and internal audit function
- Integrity and efficacy of the risk management process relating specifically to internal controls and financial reporting risks through assurance over the system controls and policies in place

The committee's terms of reference were reviewed by external assurance providers and are aligned with legislation, regulations and King IV™.

Composition

The committee members are elected annually by the shareholders at the AGM of the company on recommendation by the board of directors (via the remuneration and nomination committee). The board of directors ensures, through its recommendations, that there is a balanced blend of skills and experience, with specific focus on financial literacy, to enable the committee to discharge its function. Members of this committee consist only of independent non-executive directors.

The committee had four independent non-executive directors throughout the year under review. The board of directors is satisfied that the committee members have the necessary academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.

In this regard, Ms CJ Nxumalo was appointed as a new member to the committee at the 2021 AGM, being the first female director to become a member of the audit committee.

The CEO, CEO – designate and finance director together with members of the executive team and senior management representing areas relevant to the discussions at the audit committee, as well as the independent external auditor, the chief audit officer and chief risk officer attend meetings either by standing invitation or as and when required. The internal and external auditors both have unrestricted access to the audit committee.

Meetings

The committee held four scheduled meetings as determined by its terms of reference during 2021 and four special meetings. The committee's attendance of 100% throughout the year illustrates high levels of engagement and commitment by our audit committee members.

The following table provides an overview of designations and the members' attendance at meetings held during the period under review:

Name	Designation	Attendance
Mr V Nkonyeni	Chairperson of the audit committee and independent non-executive director	100%
Mr MJ Moffett[1]	Independent non-executive director	100%
Mr LI Mophatlane	Independent non-executive director	100%
Mr EJ Myburgh	Independent non-executive director	100%
Ms CJ Nxumalo[2]	Independent non-executive director	100%

[1] *Resigned on 11 May 2021.*
[2] *Appointed as a member from 27 May 2021.*

Two additional sessions are held annually with the independent external auditor and independent internal auditor, respectively, where management is not present, to facilitate an exchange of views and concerns to further strengthen the independent oversight by the committee.

2.4 AUDIT COMMITTEE REPORT continued

Statements

Finance director and finance function

The committee has considered and reviewed an internal assessment of the expertise and experience of Mr PA Koppeschaar CA(SA), the finance director, and is satisfied that he has the appropriate experience and expertise to meet his responsibilities. The evaluation also considered the appropriateness of the expertise and adequacy of resources in the finance function.

External auditor

The independent external auditor is PwC. The committee having assessed the suitability of the appointment of the external auditor and designated audit partner, is satisfied that PwC is independent of the group as per section 94(8) of the Companies Act.

The committee executed its responsibility in assessing the suitability of the external auditor and designated individual auditor as required by paragraph 3.84(g)(iii) of the Listings Requirements by considering the relevant information pursuant to paragraph 22.15(h) of the Listings Requirements and has been provided with all decision letters and/or explanations issued by IRBA and any summaries relating to monitoring procedures and deficiencies issued by the external auditor.

Fees paid to PWC are disclosed in note 6.1.3. Exxaro has an approved policy to regulate the use of non-audit services by the independent external auditor, which differentiates between permitted and prohibited non-audit services and specifies a monetary threshold against which approvals are considered. In the review period, PwC was paid R38 million (2020: R38 million), which included R30 million (2020: R30 million) for statutory audit and related activities as well as R8 million (2020: R8 million) for non-audit services, mainly for advisory and tax compliance services, management accounting services, assurance and other advisory services. The committee is satisfied with the level and extent of non-audit services rendered during the year by PwC and that these did not affect its independence.

The audit committee has satisfied itself that Mr Dion Shango, as designated individual auditor is accredited to appear on the List of Accredited Auditors, in compliance with section 22 of the JSE Listings Requirements.

During 2021, PwC continued its partnership with Ngubane & Co, a Level 1, broad-based black economic company as part of its audit team to extend Exxaro's commitment to transformation.

Although mandatory audit firm rotation becomes effective on 1 April 2023 in terms of section 10 of the Auditing Profession Act of 2005, the board of directors, through this committee, resolved to undertake a formal process to appoint a new firm as independent external auditor prior to the 2023 effective date. Following an assessment process which included an independent and sustainability assessment, the committee, with the endorsement of the board of directors, recommended the appointment of KPMG and its delivery partner, AM PhakaMalele, as the group's new independent external auditor at the AGM dated 27 May 2021. The appointment was approved in respect of the financial year ending 31 December 2022 and will be effective from the conclusion of PwC's external audit responsibilities for the financial year ended 31 December 2021.

Internal auditor

The internal audit function is partially outsourced to EY under the management control of Exxaro's Chief Audit Officer. Their responsibilities are detailed in an internal audit charter approved by this committee, which is reviewed and approved annually. The main function of internal audit remains to express an opinion on the effectiveness of governance, risk management and systems of internal controls as well as the internal control environment within the Exxaro group of companies. Furthermore, the internal audit function provides an independent, objective assurance and consulting service designed to add value and improve the organisation's operations. The committee is satisfied with the overall performance of the internal audit function services provided by EY.

To allow for audit firm rotation and, notwithstanding the fact that the board of directors is satisfied with the independence, conduct and quality of internal audit services being rendered by EY, the committee recommended the appointment of a new independent internal auditor through a formal process. Following an open tender process, the board of directors, on recommendation of the audit committee, have appointed PwC as the group's new internal auditor from 1 July 2022. In continuing to strengthen the internal audit function, to be fit for purpose, adding value and given Exxaro's evolving business model, the internal audit approach was refreshed with key features. In line with Exxaro's commitment to transformation PwC will partner with a Level 1, broad based black economic company, Ngubane & Co, to fulfil the internal audit function.

2.4 AUDIT COMMITTEE REPORT continued

Statements continued

Annual financial statements

The group and company annual financial statements for 2021 were prepared by management, reviewed by the committee and the board of directors, and were audited by the independent external auditor. The committee is satisfied that the group and company annual financial statements for 2021 comply with the relevant provisions of the Companies Act, IFRS, interpretations issued by the IFRIC, the Listings Requirements as well as the applicable accounting policies and practices. The committee is also satisfied that the group and company annual financial statements for 2021 fairly present a balanced view of the group and company's financial position, financial performance and cash flows for the year then ended.

Statement on effectiveness of internal financial controls

The committee, with the input and reports from the independent internal and external auditor, reviewed the system of internal financial reporting procedures, as underpinned by the enterprise risk management framework, during the year. This review included consideration of all Exxaro entities within the consolidated group, to ensure that the committee had access to all the financial information to allow for effective preparation and reporting on the group and company annual financial statements for 2021. Informed by these reviews, the committee confirmed that there were no material findings that came to the attention of the committee to indicate ineffectiveness of internal financial reporting controls during 2021.

Combined assurance

As required by King IV™, assurance has been broadened to cover all sources of assurance, including external assurance, internal audit, management oversight and regulatory inspections. In addition, the combined assurance model has been expanded to incorporate and optimise all assurance services and functions so that, taken as a whole, these enable an effective control environment and also support the integrity of information used for internal decision making by management, the governing body and its committees and of the organisation's external reports.

An annual audit plan is submitted for approval to this committee, detailing all proposed assurance activities within the group, including the level of assurance to be provided. This committee ensures alignment of the combined assurance plan, internal audit plans and external audit plans. Risk acceptance, level 1 finding disclosure process and risk extension requests are adopted as protocols.

It is the committee's role to review the effective establishment and operation of combined assurance within the group. To this end, the company established the CAF. The committee is satisfied that the CAF, constituted as a working group, serves as a platform to coordinate Exxaro's assurance functions specifically the internal assurance functions, including internal audit, and externally sourced independent assurance functions. In addition, the CAF coordinates assurance coverage for Exxaro's risk exposure as identified and ranked by Exxaro's risk management functions including optimisation of assurance functions aligned to King IV™ recommended practices for assurance. The CAF is an internal management structure and forms part of the internal governance structure of the entity and, along with the rest of the internal governance structure, falls under executive oversight.

The committee is satisfied with the arrangement in place for ensuring an effective and efficient combined assurance model within the group.

Technology and information governance

In terms of King IV™, the committee exercises oversight of technology and information governance. In addition, the committee governs technology and information in a way that supports the organisation in setting and achieving its strategic objectives.

During the period under review, IM major initiatives included a new IM balanced scorecard for service delivery, renewing services contracts, rolling out projects enhancing the control environment especially with the increased risk of cyber security and investigating a new fit for purpose ERP system. The progress was monitored by the committee with management providing comprehensive quarterly updates, challenges and steps taken to address the challenges. Furthermore, to ensure Exxaro's full compliance with the Protection of Personal Information Act, the committee recommended the revised Acceptance usage of ICT Equipment policy which was approved by the board.

2.4 AUDIT COMMITTEE REPORT continued

2021 in overview

Areas of focus that the committee provided oversight on during the year under review included:

Impact of the COVID-19 pandemic

The company was faced with unprecedented circumstances as the business incurred unforeseen costs in implementing additional protocols to respond to COVID-19 restrictions and regulations. The impact of the COVID-19 pandemic on the ability of the business to operate as a going concern was also continuously monitored by the committee. This included an assessment and monitoring of the group's cash resources, credit facilities, accordion facility and ensuring compliance with borrowing covenants in the dynamic economic environment.

Exxaro Insurance Company Limited

As it is increasingly challenging for companies with a large carbon footprint to obtain insurance cover at competitive terms this is a focal point for the committee. A formal memorandum is submitted quarterly to the committee, setting out the main activities of the insurance company. The committee considered regulatory compliance, financial position, external audit plan for the 2021 financial year audit, investment strategy, insurance renewal programme, and the associated cost and exclusions during the period under review.

Disposal of non-core assets and investments

The committee considered various accounting implications regarding the disposal of Exxaro's investments in Tronox and the ECC operation.

Tax compliance status and reporting

Reporting to the committee includes reporting on all tax matters, including tax audits, returns and payments.

Headline earnings

The committee considered the guidance issued by SAICA regarding the calculation of headline earnings during the year under review.

Macros and commodity price forecast review

During the year under review, the committee reviewed and was satisfied with the key macro-economic indicators and assumptions used to compile the 2022 budget.

JSE guidance letters

As recommended by the JSE, the committee reviewed the JSE guidance letters in respect of the responsibilities of committee members as set out in paragraph 3.84(g) of the Listings Requirements.

Group hedge and loan covenants compliance

The committee is satisfied with the group's hedge effectiveness and loan covenants position applicable to each facility within the group.

Counterparty and dealer limits

The committee approved the revised dealer and counterparty limits for the group's treasury operations in the financial markets.

Group governance framework

The committee was intimately involved in finalising the revised group governance framework and energy delegation of authority to ensure that the energy business is governed effectively and fit for purpose.

Internal audit findings and forensic investigations

The committee ensured that corrective measures were put in place where internal control deficiencies were identified by internal audit or through forensic investigations. The committee will continue to monitor the efficacy of these measures.

Transition of internal and external auditors

The committee continuously monitored the transition plans for the outgoing and incoming external and internal auditors to ensure seamless transition.

Management representation letter

The committee authorised the CEO and finance director to sign the management representation letter for the interim and final period.

Other key issues

Other key issues that received attention during the year included, amongst others, the following:

- The going concern statement and solvency and liquidity assessment in terms of section 46 and 48 of the Companies Act as at 30 June 2021 and 31 December 2021
- Financial results and dividend declarations for the six-month period ended 30 June 2021 and year ended 31 December 2021
- Trading statement for the six-month period ended 30 June 2021 and year ended 31 December 2021
- Valuation of group carrying amounts in respect of various investments at 30 June 2021 and 31 December 2021
- Noting of annual financial statements of major subsidiaries (as defined by the Listings Requirements) within the Exxaro group of companies
- New and revised accounting standards and pronouncements were brought to the attention of the committee for consideration
- Revised group treasury risk management and hedging policy.

2.4 AUDIT COMMITTEE REPORT continued

Key focus areas

The below table shows the key focus areas for the committee:

2021 key focus areas	Status
Review the strategy in relation to deployment of new post-modern ERP solutions to ensure acceptable cost, risk and alignment with the Exxaro strategy.	Ongoing
Ensure alignment of the combined assurance process, internal audit plan and external audit plan based on a risk-based approach.	Achieved
Review Exxaro's future strategy relations to insurance cover and self-insurance, taking into account global resistance to thermal coal and insurance markets.	Ongoing
Oversee the project plan for financial and risk-based disclosures in terms of Exxaro's aim to comply with TCFD.	Achieved
Approve the levels of materiality to be used for internal audit (including the audit protocols and the classification of findings) and consider levels of materiality for the independent external auditor.	Achieved
Oversee the transition plans for the internal and external audit functions	Achieved

Performance evaluation

There is currently neither a legal nor regulatory requirement for the committee to complete annual performance evaluations and, while King IV™ recommends regular performance evaluations for all board subcommittees, it has become a governance practice at Exxaro to have the subcommittee's performance and effectiveness evaluated every two years. Our next board evaluation will be conducted during the last quarter of 2022.

Conclusion

The committee, in carrying out its duties, has due regard to its terms of reference, the Companies Act, the Listings Requirements, as well as the principles and recommended practices of King IV™. The committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference and fulfilled its mandate in terms of the Companies Act and King IV™.

The committee would like to thank management for all the hard work done during these unprecedented times and circumstances.

On behalf of the committee

Vuyisa Nkonyeni
Audit committee chairperson

4 April 2022

2.5 INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Exxaro Resources Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Exxaro Resources Limited (the company) and its subsidiaries (together the group) as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

Exxaro Resources Limited's consolidated and separate financial statements set out on pages 28 to 178 comprise:

- the consolidated and separate statements of financial position as at 31 December 2021
- the consolidated and separate statements of comprehensive income for the year then ended
- the consolidated and separate statements of changes in equity for the year then ended
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach

Overview

OVERALL GROUP MATERIALITY

- Overall group materiality: R881 million, which represents 5% of profit before tax from continuing operations. Consolidated profit before tax from continuing operations was adjusted for non-recurring items that were not considered to be in the ordinary course of the group's operations.

GROUP AUDIT SCOPE

- We have conducted full scope audit procedures at 6 components and performed audits of material financial statement line items at 22 components based on their financial significance to the consolidated financial statements.

KEY AUDIT MATTERS

- *Environmental rehabilitation provision.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

2.5 INDEPENDENT AUDITOR'S REPORT continued

Our audit approach continued

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R881 million
How we determined it	5% of consolidated profit before tax from continuing operations, adjusted for the loss on disposal of subsidiaries item as disclosed in note 8.3 to the consolidated financial statements, which we considered to be a once-off item affecting profit before tax
Rationale for the materiality benchmark applied	We chose the consolidated profit before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. The consolidated profit before tax was adjusted to exclude non-recurring items that are not reflective of the ongoing operations of the group. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Financially significant components were identified based on scoping benchmarks such as their contribution to key financial statement line items which included profit consolidated before tax, consolidated revenue and consolidated total assets and the risk associated with the component.

Based on our scoping assessment, we conducted full scope audits at six financially significant components and performed audits of material financial statement line items at 22 components in order to obtain sufficient appropriate audit evidence over the consolidated numbers.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, component auditors from other PwC network firms and non-PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters to report with respect to the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provisions ***Refer to notes 13.1, 13.2, and 13.3 to the consolidated financial statements.*** As of 31 December 2021, the group's environmental rehabilitation provision amounted to R2 236 million. In determining the present value of the total environmental rehabilitation provisions, management apply significant judgement and make assumptions relating to: • unscheduled closure costs on reporting date • inflation rates • discount rates; and • expected date of closure of mining activities. We considered the determination of the environmental rehabilitation provision to be a matter of most significance to the current year audit due to the following: • The significant judgement and estimation applied by management in determining the present value of the environmental rehabilitation provisions; and • The significance of the potential risk of material misstatement inherent in determining the environmental rehabilitation provisions.	Our audit addressed this key audit matter as follows: Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology applied by management in determining the environmental rehabilitation provisions. Making use of our sustainability and climate change expertise, we performed the following procedures: • We assessed the reasonableness of management's process to determine the environmental rehabilitation provisions by comparing management's process with that used in the industry and found the process used by management to be consistent with industry practice. • We assessed the objectivity, competence, capabilities and experience of management's experts through inspection of Curriculum Vitae (CVs) and membership certificates from professional bodies where applicable. • We assessed the appropriateness of the underlying cost assumptions used by management in their calculation by evaluating whether costs underpinning the provisions represent management's and the experts' best estimate of expenditure. As part of this evaluation, we considered the required rehabilitation activities against the mining activity to date, the costs of those activities against current best estimates of costs relating to those activities, and consistency of the cash flows in the rehabilitation model with the group's rehabilitation and closure plans. We noted no material aspects in this regard requiring further consideration. • We assessed whether the closure costs used by management's experts considered the requirements of the relevant laws and regulations, both to assess whether a legal obligation exists to raise the provisions, as well as to identify potential environmental liabilities that were not provided for which could be of material significance, and noted no material exceptions. We independently recalculated management's inflation rates and discount rates applied with reference to relevant third-party sources. Where inflation rates and discount rates determined by us differed from that used by management, the impact of such differences was assessed to be immaterial. We agreed the expected date of closure of mining activities to the respective life of mine certificates as signed off by the group's competent person. No exceptions were noted. We tested the mathematical accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with management's calculations. We noted no material differences.

2.5 INDEPENDENT AUDITOR'S REPORT continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Exxaro Resources Limited group and company annual financial statements for the year ended 31 December 2021", which includes the Report of the directors, the Audit Committee report and the Certificate by the group company secretary as required by the Companies Act of South Africa, and in the document titled "Exxaro Resources Limited Integrated Report 2021". The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

2.5 INDEPENDENT AUDITOR'S REPORT continued

Auditor's responsibilities for the audit of the consolidated and separate financial statements continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Exxaro Resources Limited for 11 years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered auditor

Johannesburg, South Africa

8 April 2022

CHAPTER 3:
Segmental reporting

CHAPTER 3:
Segmental reporting

3.1 ACCOUNTING POLICY RELATING TO SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the reportable operating segments. The chief operating decision maker has been defined as any and all executive committees of the group. In 2021, an additional executive committee was established to oversee the energy operations. Segments reported are based on the group's different commodities and operations.

3.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICY

In applying IFRS 8 *Operating Segments*, judgements have been made by management with regards to the identification of reportable segments of the group. The basis on which management identify the reportable segments is described further in note 3.3 and represents management's view of the operations.

3.3 REPORTABLE SEGMENTS

In line with reporting trends and better disclosure, emphasis is placed on controllable costs. Indirect corporate costs are reported on a gross level in the other reportable segment.

The segments, as described below, offer different goods and services, and are managed separately based on commodity, location and support function grouping. The group executive committees review internal management reports on these operating segments at least quarterly.

Coal

The coal reportable segment is comprised of the commercial (Waterberg and Mpumalanga), tied and other operations. The commercial Mpumalanga operations include a 50% (2020: 50%) investment in Mafube (a joint venture with Thungela, previously Anglo). The 10.26% (2020: 10.26%) effective equity interest in RBCT is included in the other coal operations. The ECC operation (including a 49% (2020: 49%) equity interest in Tumelo) was included in the commercial Mpumalanga reportable segment until the effective date of disposal on 3 September 2021 (refer note 8.3). The coal operations produce thermal coal, metallurgical coal and SSCC.

The export revenue and related export cost items have been allocated between the coal reportable segments based on the origin of the initial coal production.

Energy

The energy reportable segment includes Cennergi as a controlled operation from 1 April 2020 (an equity interest of 50% up to 31 March 2020). It further includes an equity interest of 28.59% (2020: 28.59%) in LightApp.

Ferrous

The ferrous reportable segment mainly comprises the 20.62% (2020: 20.62%) equity interest in SIOC (located in the Northern Cape province) reported within the other ferrous reportable segment as well as the FerroAlloys operation (referred to as Alloys). The Alloys operation manufactures ferrosilicon.

TiO_2

Following the disposal of Tronox Holdings plc and Tronox SA, the TiO_2 reportable segment has been discontinued (refer note 6.1.4).

Other

The other reportable segment is split between the base metals and other reportable segments. The 26% (2020: 26%) equity interest in Black Mountain (located in the Northern Cape province) is included in the base metals reportable segment. The other reportable segment comprises a 25.85% (2020: 25.85%) equity interest in Insect Technology, the Ferroland agricultural operation and the corporate office which renders corporate management services. The equity interest in Curapipe was sold on 9 November 2020.

3.3 REPORTABLE SEGMENTS continued

The following tables present a summary of the segmental information:

		Coal			
		Commercial			
	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm
For the year ended 31 December 2021					
External revenue	6.1.2	16 852	9 439	5 089	15
Segmental net operating profit/(loss)		7 137	534	147	(235)
– *Continuing operations*		7 137	534	147	(235)
– *Discontinued operations*	6.1.4				
External finance income	12.1.2	23	2		11
External finance costs	12.1.2	(50)	(116)		(51)
Income tax (expense)/benefit		(2 160)	(208)	(45)	272
– *Continuing operations*		(2 160)	(208)	(45)	272
– *Discontinued operations*	6.1.4				
Depreciation and amortisation	6.1.3	(1 447)	(636)	(14)	(4)
Impairment charges of non-current operating assets	8.4	(21)			
Net gains on disposal of associates					
– *Discontinued operations*	6.1.4				
Loss on disposal of subsidiaries	8.3		(946)		
Share of income/(loss) of equity-accounted investments			404		(19)
– *Continuing operations*	9.3		404		(19)
– *Discontinued operations*	6.1.4				
Cash generated by/(utilised in) operations	6.3.1	8 533	1 481	127	(297)
Capital spend on property, plant and equipment		(1 990)	(392)	(1)	(17)
At 31 December 2021					
Segmental assets and liabilities					
Deferred tax[1]	7.5		51	33	118
Equity-accounted investments	9.4		1 780		2 034
External assets		30 880	6 391	1 216	2 167
Total assets		30 880	8 222	1 249	4 319
External liabilities		2 122	1 744	1 212	547
Deferred tax[1]	7.5	7 220	180		1
Total liabilities		9 342	1 924	1 212	548

[1] *Offset per legal entity and tax authority.*

	Ferrous		Other			
Energy Rm	**Alloys Rm**	**Other ferrous Rm**	**TiO_2 Rm**	**Base metals Rm**	**Other Rm**	**Total Rm**
1 193	168				15	32 771
525	14		2 217		(662)	9 677
525	14				(662)	7 460
			2 217			2 217
12		2			189	239
(503)	(1)				(139)	(860)
(26)			(379)		(36)	(2 582)
(26)					(36)	(2 203)
			(379)			(379)
(388)	(10)				(178)	(2 677)
						(21)
			1 339			1 339
			1 339			1 339
					(1)	(947)
16		9 037	54	352		9 844
16		9 037		352		9 790
			54			54
904	(41)	(3)			(152)	10 552
(1)	(1)				(69)	(2 471)
38	18				111	369
121		12 037		1 350		17 322
8 516	358	26			8 472	58 026
8 675	376	12 063		1 350	8 583	75 717
5 239	28	1			6 455	17 348
920					(50)	8 271
6 159	28	1			6 405	25 619

3.3 REPORTABLE SEGMENTS continued

		Coal			
		Commercial			
	Note	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm
For the year ended 31 December 2020 (Re-presented)[1]					
External revenue	6.1.2	15 449	8 037	4 355	34
Segmental net operating profit/(loss)[1]		6 668	(2 419)	145	(114)
– Continuing operations		6 668	(2 419)	145	(114)
External finance income	12.1.2	33	3		8
External finance costs	12.1.2	(48)	(171)		(52)
Income tax (expense)/benefit		(2 020)	530	(46)	782
– Continuing operations		(2 020)	530	(46)	782
Depreciation and amortisation	6.1.3	(1 373)	(611)	(19)	(2)
Impairment charges of non-current operating assets[1]	8.4		(1 378)		
Gain on deemed disposal of JV	6.1.3				
Gains on disposal of joint operation and transfer of operation	6.1.3		17		4
Share of income/(loss) of equity-accounted investments			67		5
– Continuing operations	9.3		67		5
– Discontinued operations[1]	6.1.4				
Impairment charges of equity-accounted investments[1]	8.4				
Cash generated by/(utilised in) operations	6.3.1	8 223	(879)	241	(1 717)
Capital spend on property. plant and equipment		(2 326)	(717)	(1)	(16)
At 31 December 2020					
Segmental assets and liabilities					
Deferred tax[2]	7.5		112	(158)	589
Equity-accounted investments	9.4		1 412		2 053
External assets		30 155	6 160	1 138	2 468
Assets		30 155	7 684	980	5 110
Non-current assets held-for-sale	8.5		2 008		
Total assets		30 155	9 692	980	5 110
External liabilities		2 129	1 288	926	1 308
Deferred tax[2]	7.5	6 934	229		189
Liabilities		9 063	1 517	926	1 497
Non-current liabilities held-for-sale	8.5		1 138		
Total liabilities		9 063	2 655	926	1 497

[1] *Refer note 19.1.*
[2] *Offset per legal entity and tax authority.*

	Ferrous			Other		
Energy Rm	**Alloys Rm**	**Other ferrous Rm**	**TiO_2 Rm**	**Base metals Rm**	**Other Rm**	**Total Rm**
889	147				13	28 924
1 619	4			93	(1 199)	4 797
1 619	4			93	(1 199)	4 797
12					159	215
(402)	(1)				(373)	(1 047)
1	7				27	(719)
1	7				27	(719)
(291)	(6)				(134)	(2 436)
						(1 378)
1 321						1 321
						21
(5)		6 125	207	122	(110)	6 411
(5)		6 125		122	(110)	6 204
			207			207
					(504)	(504)
693	(38)	(4)			1 251	7 770
(1)	(2)				(112)	(3 175)
146	17	1			369	1 076
98		12 820	2 628	995		20 006
8 825	309	26			4 694	53 775
9 069	326	12 847	2 628	995	5 063	74 857
			1 741			3 749
9 069	326	12 847	4 369	995	5 063	78 606
5 715	29	3			9 713	21 111
937					(53)	8 236
6 652	29	3			9 660	29 347
						1 138
6 652	29	3			9 660	30 485

3.4 GEOGRAPHIC LOCATION OF SEGMENT ASSETS

Geographical areas	At 31 December 2021 Rm	2020 Rm
Country of domicile		
– RSA	59 442	62 382
Foreign countries		
– Rest of Africa	2	2
– Europe	2	2
– Asia	121	98
– Australia	125	123
Total carrying amount of non-current assets[1]	59 692	62 607

[1] *Excluding financial assets, deferred tax and non-current assets held-for-sale.*

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

CHAPTER 4:
Financial statements

CHAPTER 4:
Financial statements

4.1 GROUP FINANCIAL STATEMENTS

4.1.1 Statement of comprehensive income

For the year ended 31 December	Note	2021 Rm	(Re-presented)[1] 2020 Rm
Revenue	6.1.2	32 771	28 924
Operating expenses	6.1.3	(24 343)	(22 749)
Operating profit		8 428	6 175
Loss on disposal of subsidiaries	8.3	(947)	
Impairment charges of non-current operating assets	8.4	(21)	(1 378)
Net operating profit		7 460	4 797
Finance income	12.1.2	239	215
Finance costs	12.1.2	(860)	(1 047)
Income from financial assets		55	4
Share of income of equity-accounted investments	9.3	9 790	6 204
Impairment charges of equity-accounted investments	8.4		(504)
Profit before tax		16 684	9 669
Income tax expense	7.3	(2 203)	(719)
Profit for the year from continuing operations		14 481	8 950
Profit for the year from discontinued operations	6.1.4	1 892	276
Profit for the year		16 373	9 226
Other comprehensive loss, net of tax		(913)	(251)
Items that will not be reclassified to profit or loss:		40	10
– Remeasurement of retirement employee obligations			21
– Changes in fair value of equity investments at FVOCI		49	(13)
– Share of OCI of equity-accounted investments		(9)	2
Items that may subsequently be reclassified to profit or loss:		302	(281)
– Unrealised exchange differences on translation of foreign operations		39	55
– Changes in fair value on cash flow hedges		84	(385)
– Share of OCI of equity-accounted investments		179	49
Items that have subsequently been reclassified to profit or loss:		(1 255)	20
– Recycling of unrealised exchange differences on translation of foreign operations		(482)	(103)
– Recycling of changes in fair value on cash flow hedges		105	77
– Recycling of share of OCI of equity-accounted investments		(878)	46
Total comprehensive income for the year		15 460	8 975
Profit attributable to:			
Owners of the parent		12 667	7 283
– Continuing operations		11 202	7 069
– Discontinued operations		1 465	214
Non-controlling interests		3 706	1 943
– Continuing operations		3 279	1 881
– Discontinued operations		427	62
Profit for the year		16 373	9 226
Total comprehensive income attributable to:			
Owners of the parent		11 954	7 103
– Continuing operations		11 169	6 928
– Discontinued operations		785	175
Non-controlling interests		3 506	1 872
– Continuing operations		3 277	1 821
– Discontinued operations		229	51
Total comprehensive income for the year		15 460	8 975

	Note	cents	cents
Attributable earnings per share	5.2		
Aggregate			
– Basic		5 128	2 902
– Diluted		5 128	2 902
Continuing operations			
– Basic		4 535	2 817
– Diluted		4 535	2 817
Discontinued operations			
– Basic		593	85
– Diluted		593	85

[1] *Refer note 19.1.*

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.2 Statement of financial position

At 31 December	Note	2021 Rm	2020 Rm
ASSETS			
Non-current assets		63 298	65 824
Property, plant and equipment	10.1.3	38 351	38 395
Intangible assets	10.2.3	2 927	3 095
Right-of-use assets	11.3	401	453
Inventories	6.2.2	145	128
Equity-accounted investments	9.4	17 322	20 006
Financial assets	10.3.2	3 237	2 141
Deferred tax	7.5	369	1 076
Other assets	10.4	546	530
Current assets		12 419	9 033
Inventories	6.2.2	1 606	1 821
Financial assets	10.3.2	311	169
Trade and other receivables	6.2.3	2 701	2 827
Cash and cash equivalents		7 042	3 196
Other assets	10.4	759	1 020
Non-current assets held-for-sale	8.5		3 749
Total assets		75 717	78 606
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	12.2.2	983	1 021
Other components of equity		1 560	2 495
Retained earnings		37 007	35 265
Equity attributable to owners of the parent		39 550	38 781
Non-controlling interests	17.7	10 548	9 340
Total equity		50 098	48 121
Non-current liabilities		20 841	19 103
Interest-bearing borrowings	12.1.3	9 255	7 448
Lease liabilities	11.4	470	493
Other payables	6.2.4	53	24
Provisions	13.3	2 201	1 946
Retirement employee obligations	14.4	159	147
Financial liabilities	12.1.7	406	782
Deferred tax	7.5	8 271	8 236
Other liabilities	12.1.8	26	27
Current liabilities		4 778	10 244
Interest-bearing borrowings	12.1.3	1 000	6 163
Lease liabilities	11.4	34	29
Trade and other payables	6.2.4	2 230	2 940
Provisions	13.3	101	185
Financial liabilities	12.1.7		49
Overdraft	12.1.3	1	17
Other liabilities	12.1.8	1 412	861
Non-current liabilities held-for sale	8.5		1 138
Total liabilities		25 619	30 485
Total equity and liabilities		75 717	78 606

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.3 Statement of changes in equity

	Note	Share capital Rm	Other components of equity: Foreign currency translation Rm	Other components of equity: Financial instruments revaluation Rm	Other components of equity: Equity-settled Rm
At 31 December 2019		1 021	1 906	(35)	883
Total comprehensive (loss)/income			(37)	(220)	68
– Profit for the year					
– Other comprehensive (loss)/income for the year	7.7		(37)	(220)	68
Transactions with owners					(48)
Contributions and distributions					10
– Dividends paid	5.6				
– Distributions to NCI share option holders					
– Share-based payments movement					10
Changes in ownership interest					(58)
– Deemed disposal of JV[1]					(58)
– Acquisition of subsidiaries[2]					
– Recognition of NCI[3]	17.7				
At 31 December 2020		1 021	1 869	(255)	903
Total comprehensive (loss)/income			(882)	138	
– Profit for the year					
– Other comprehensive (loss)/income for the year	7.7		(882)	138	
Transactions with owners		(38)			(307)
Contributions and distributions		(38)			(122)
– Dividends paid	5.6				
– Distributions to NCI share option holders					
– Share-based payments movement					(122)
– Shares repurchased and cancelled[4]		(38)			
– Share repurchase expenses					
– Transfer of fair value adjustments on disposal of equity investment at FVOCI to retained earnings					
Changes in ownership interest					(185)
– Disposal of associates[5]					(185)
– Disposal of subsidiaries[6]	8.3				
At 31 December 2021		983	987	(117)	596

[1] 2020: Relates to a reclassification within equity arising from the Cennergi business combination which required the pre-existing interest in the equity-accounted investment to be derecognised as a deemed disposal.

[2] 2020: Relates to the recognition of the NCI share option holders within the Cennergi group arising from the Cennergi business combination at acquisition.

[3] 2020: Relates to the recognition of the NCI's share of Tsitsikamma SPV's net asset value, amounting to R189 million, upon the exercise of its in-substance share option, amounting to R115 million (cash received).

[4] 2021: Relates to the repurchase and cancellation of 9 401 662 ordinary shares to the value of R1.5 billion in terms of the share repurchase programme announced and implemented during the year.

[5] 2021: Relates to the net reclassifications within equity from the retirement employee obligations reserve and equity-settled reserve to retained earnings upon the divestment from Tronox SA and Tronox Holdings plc.

[6] 2021: Relates to the net reclassifications within equity from the financial asset FVOCI revaluation reserve to retained earnings as well as the derecognition of the NCI previously recognised for Dorstfontein upon the disposal of the ECC operation.

Retirement employee obligations Rm	Financial asset FVOCI revaluation Rm	Other Rm	Retained earnings Rm	Attributable to owners of the parent Rm	Non-controlling interests Rm	Total equity Rm
(39)	4	4	31 032	34 776	8 111	42 887
18	(9)		7 283	7 103	1 872	8 975
			7 283	7 283	1 943	9 226
18	(9)			(180)	(71)	(251)
			(3 050)	(3 098)	(643)	(3 741)
			(3 034)	(3 024)	(979)	(4 003)
			(3 034)	(3 034)	(978)	(4 012)
					(1)	(1)
				10		10
			(16)	(74)	336	262
			58			
					147	147
			(74)	(74)	189	115
(21)	(5)	4	35 265	38 781	9 340	48 121
1	30		12 667	11 954	3 506	15 460
			12 667	12 667	3 706	16 373
1	30			(713)	(200)	(913)
55	30		(10 925)	(11 185)	(2 298)	(13 483)
	20		(11 045)	(11 185)	(3 131)	(14 316)
			(9 557)	(9 557)	(3 124)	(12 681)
					(7)	(7)
				(122)		(122)
			(1 462)	(1 500)		(1 500)
			(6)	(6)		(6)
	20		(20)			
55	10		120		833	833
55			130			
	10		(10)		833	833
35	55	4	37 007	39 550	10 548	50 098

Foreign currency translation
Arises from the translation of financial statements of foreign operations within the group.

Financial instruments revaluation
Comprises the share of equity-accounted investments' hedging reserves and the group's cash flow hedge reserve.

Equity-settled
Represents the fair value, net of tax, of services received from employees and settled by equity instruments granted.

Retirement employee obligations
Comprises remeasurements, net of tax, on the retirement employee obligations.

Financial asset FVOCI revaluation
Comprises the fair value adjustments, net of tax, on the financial assets classified at FVOCI.

4.1 GROUP FINANCIAL STATEMENTS continued

4.1.4 Statement of cash flows

For the year ended 31 December	Note	2021 Rm	2020 Rm
Cash flows from operating activities		8 432	5 493
Cash generated by operations	6.3.1	10 552	7 770
Settlement of contingent consideration			(198)
Interest paid	12.1.6	(1 017)	(1 305)
Interest received	12.1.6	217	192
Tax paid	7.6.1	(1 320)	(966)
Cash flows from investing activities		13 419	(1 556)
Property, plant and equipment acquired		(2 471)	(3 175)
Intangible assets acquired			(2)
Proceeds from disposal of property, plant and equipment		11	34
Decrease in other financial assets at amortised cost		72	79
Increase in ESD loans		(101)	(41)
Decrease in ESD loans		61	61
Deferred consideration paid for acquisition of associates			(349)
Decrease in loan to associate		3	13
Decrease in lease receivables		15	15
Acquisition of subsidiaries			(1 402)
Increase in environmental rehabilitation funds		(79)	(111)
Cash transferred on transfer of operation	8.3		(14)
Proceeds from disposal of subsidiaries	8.3	99	
Proceeds from disposal of associate classified as non-current assets held-for-sale	6.1.4	5 763	
Dividend income received from equity-accounted investments	9.3	9 991	3 263
Dividend income received from financial assets and non-current assets held-for-sale		55	73
Cash flows from financing activities		(18 032)	(2 469)
Interest-bearing borrowings raised	12.1.5	4 725	1 750
Interest-bearing borrowings repaid	12.1.5	(8 076)	(88)
Lease liabilities paid	12.1.5	(36)	(32)
NCI options exercised			115
Distributions to NCI share option holders		(7)	(1)
Dividends paid to NCI of Tsitsikamma SPV		(5)	
Increase in loan from NCI			69
Decrease in loan from NCI		(69)	
Dividends paid	5.6	(9 557)	(3 034)
Shares acquired in the market to settle share-based payments		(382)	(270)
Shares repurchased including transaction expenses		(1 506)	
Dividends paid to NCI BEE Parties		(3 119)	(978)
Net increase in cash and cash equivalents		3 819	1 468
Cash and cash equivalents at beginning of the year		3 187	1 719
Translation difference on movement in cash and cash equivalents		35	
Cash and cash equivalents at end of the year		7 041	3 187
Cash and cash equivalents		7 042	3 196
Cash and cash equivalents classified as non-current assets held-for-sale			8
Overdraft		(1)	(17)

4.2 COMPANY FINANCIAL STATEMENTS

4.2.1 Statement of comprehensive income

For the year ended 31 December	Note	2021 Rm	(Restated)[1] 2020 Rm
Revenue	6.1.2	23 614	7 599
– Revenue from contracts with customers		1 669	1 765
– Dividend revenue		19 556	3 832
– Interest revenue		2 389	2 002
Operating expenses	6.1.3	(1 901)	(1 797)
Impairment charges of non-current assets	8.4		(2 235)
Finance income	12.1.2	157	113
Finance costs	12.1.2	(2 198)	(2 054)
Income from financial assets		2	4
Profit before tax		19 674	1 630
Income tax benefit	7.3	33	127
Profit for the year from continuing operations		19 707	1 757
Profit for the year from discontinued operations	6.1.4	1 070	825
Profit for the year		20 777	2 582
Total comprehensive income for the year		20 777	2 582

[1] *Refer note 19.2.*

There were no components of other comprehensive income or loss for the years ended 31 December 2021 and 31 December 2020.

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.2 Statement of financial position

At 31 December	Note	2021 Rm	2020 Rm
ASSETS			
Non-current assets		14 830	12 576
Property, plant and equipment	10.1.3	508	599
Intangible assets	10.2.3	4	6
Right-of-use assets	11.3	342	391
Investments in associates	9.4	143	1 324
Investments in subsidiaries	17.4	8 378	8 390
Financial assets	10.3.2	5 259	1 406
Deferred tax	7.5	195	459
Other assets	10.4	1	1
Current assets		11 478	13 917
Inventories	6.2.2	5	7
Financial assets	10.3.2	6 260	11 386
Trade and other receivables	6.2.3	325	646
Cash and cash equivalents		4 868	1 864
Other assets	10.4	20	14
Non-current assets held-for-sale	8.5		4 002
Total assets		26 308	30 495
EQUITY AND LIABILITIES			
Capital and other components of equity			
Share capital	12.2.2	11 227	11 265
Other components of equity		924	1 053
Accumulated deficit		(2 023)	(7 611)
Total equity		10 128	4 707
Non-current liabilities		5 151	3 217
Interest-bearing borrowings	12.1.3	4 704	2 748
Lease liabilities	11.4	408	432
Provisions	13.3	39	37
Current liabilities		11 029	22 571
Interest-bearing borrowings	12.1.3	851	6 053
Lease liabilities	11.4	30	23
Trade and other payables	6.2.4	159	200
Financial liabilities	12.1.7	9 746	16 071
Overdraft	12.1.3	1	17
Other liabilities	12.1.8	242	207
Total liabilities		16 180	25 788
Total equity and liabilities		26 308	30 495

4.2.3 Statement of changes in equity

	Note	Share capital Rm	Other components of equity: Equity-settled Rm	Accumulated deficit Rm	Total equity Rm
At 31 December 2019		11 265	1 055	(5 856)	6 464
Total comprehensive income				2 582	2 582
– Profit for the year				2 582	2 582
Transactions with owners			(2)	(4 337)	(4 339)
Contributions and distributions			(2)	(4 337)	(4 339)
– Share-based payments movement			(2)		(2)
– Dividends paid	5.6			(4 337)	(4 337)
At 31 December 2020		11 265	1 053	(7 611)	4 707
Total comprehensive income				20 777	20 777
– Profit for the year				20 777	20 777
Transactions with owners		(38)	(129)	(15 189)	(15 356)
Contributions and distributions		(38)	(129)	(15 189)	(15 356)
– Share-based payments movement			(129)		(129)
– Shares repurchased and cancelled[1]		(38)		(1 462)	(1 500)
– Share repurchase expenses				(6)	(6)
– Dividends paid	5.6			(13 721)	(13 721)
At 31 December 2021		11 227	924	(2 023)	10 128

[1] *2021: Relates to the repurchase and cancellation of 9 401 662 ordinary shares to the value of R1.5 billion in terms of the share repurchase programme announced and implemented during the year.*

4.2 COMPANY FINANCIAL STATEMENTS continued

4.2.4 Statement of cash flows

For the year ended 31 December	Note	2021 Rm	(Restated)[1] 2020 Rm
Cash flows from operating activities		14 417	5 315
Cash generated by operations	6.3.1	16 517	7 478
– Dividend revenue received		10 792	3 901
– Interest revenue received		2 389	2 002
– Other cash generated by operations		3 336	1 575
Settlement of contingent consideration			(198)
Interest paid		(2 191)	(2 042)
Interest received		150	113
Tax paid	7.6.1	(59)	(36)
Cash flows from investing activities		7 342	(1 363)
Property, plant and equipment acquired		(68)	(101)
Increase in ESD loans		(101)	(41)
Decrease in ESD loans		61	61
Deferred consideration paid for acquisition of associates			(349)
Acquisition of subsidiaries			(1 739)
Proceeds from disposal of subsidiaries	8.3	101	924
Increase in investment in subsidiaries		(41)	(36)
Increase in non-interest-bearing loans to subsidiaries		(14)	(5)
Increase in interest-bearing loans to subsidiaries		(3 544)	(81)
Decrease in interest-bearing loans to subsidiaries		5 183	
Proceeds from disposal of associate classified as non-current assets held-for-sale	6.1.4	5 763	
Dividend income received from financial assets		2	4
Cash flows from financing activities		(18 739)	(2 778)
Interest-bearing borrowings raised	12.1.5	4 725	1 750
Interest-bearing borrowings repaid	12.1.5	(7 975)	
Lease liabilities paid	12.1.5	(24)	(17)
Dividends paid	5.6	(13 721)	(4 337)
Shares acquired in the market to settle share-based payments		(238)	(174)
Shares repurchased including transaction expenses		(1 506)	
Net increase in cash and cash equivalents		3 020	1 174
Cash and cash equivalents at beginning of the year		1 847	673
Cash and cash equivalents at end of the year		4 867	1 847
Cash and cash equivalents		4 868	1 864
Overdraft		(1)	(17)

[1] *Refer note 19.2.*

CHAPTER 5:
Earnings

CHAPTER 5:
Earnings

5.1 ACCOUNTING POLICY RELATING TO EARNINGS

5.1.1 Dividend distributions

Dividends are recognised in the period in which the dividends are declared. 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 financial year end, but are disclosed in the notes to the annual financial statements as an event after reporting period.

All unclaimed dividends are held in a trust until claimed by the relevant shareholder or the relevant shareholder's claim to such dividends prescribes. In total 75% of the unclaimed dividends which have prescribed are allocated to be utilised by the Exxaro Chairman's Fund, while 25% of the unclaimed dividends are retained in the company to allow funding for any future dividend claims which the company might want to settle despite the prescription period having lapsed.

5.2 ATTRIBUTABLE EARNINGS PER SHARE

	Group	
For the year ended 31 December	2021	(Re-presented)[1] 2020
Profit attributable to owners of the parent (Rm)	12 667	7 283
– Continuing operations (Rm)	11 202	7 069
– Discontinued operations (Rm)	1 465	214
Weighted average number of ordinary shares outstanding (million)	247	251
Basic earnings per share (cents)	5 128	2 902
– Continuing operations (cents)	4 535	2 817
– Discontinued operations (cents)	593	85
Diluted weighted average number of ordinary shares (million)	247	251
Diluted earnings per share (cents)	5 128	2 902
– Continuing operations (cents)	4 535	2 817
– Discontinued operations (cents)	593	85

[1] *Refer note 19.1.*

Exxaro did not issue any ordinary shares during 2021 or 2020. Refer note 12.2.3 for details regarding the share repurchase during 2021.

5.3 RECONCILIATION OF HEADLINE EARNINGS

	Group			
For the year ended 31 December 2021	Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
Profit attributable to owners of the parent				12 667
Adjusted for:	(1 684)	266	319	(1 099)
– IFRS 10 Loss on disposal of subsidiaries	947	(93)	(196)	658
– IAS 16 Net losses on disposal of property, plant and equipment	46	(14)	(7)	25
– IAS 21 Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate	(876)		197	(679)
– IAS 21 Net gains on translation differences recycled to profit or loss on deregistration of foreign entities	(482)		111	(371)
– IAS 28 Net gains on disposal of associates	(1 339)	379	217	(743)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	(1)			(1)
– IAS 36 Net impairment charges of non-current assets	21	(6)	(3)	12
Headline earnings				11 568
Continuing operations				11 512
Discontinued operations				56

5.3 RECONCILIATION OF HEADLINE EARNINGS continued

For the year ended 31 December 2020 (Re-presented)[1]	Group Gross Rm	Tax Rm	Non-controlling interest Rm	Net Rm
Profit attributable to owners of the parent				7 283
Adjusted for:	560	(258)	(168)	134
– IFRS 11 Gain on disposal of joint operation	(17)		4	(13)
– IAS 16 Gain on transfer of operation	(4)		1	(3)
– IAS 16 Net losses on disposal of property, plant and equipment	92	(29)	(14)	49
– IAS 16 Compensation from third parties for items of property, plant and equipment impaired, abandoned or lost	(18)	5	3	(10)
– IAS 21 Net gains on translation differences recycled to profit or loss on deregistration and liquidation of foreign entities	(103)		23	(80)
– IAS 21 Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate	(13)		3	(10)
– IAS 28 Losses on dilution of investments in associates	20		(5)	15
– IAS 28 Net gain on deemed disposal of JV	(1 321)		298	(1 023)
– IAS 28 Share of equity-accounted investments' separately identifiable remeasurements	42	2	(10)	34
– IAS 36 Net impairment charges of non-current assets	1 882	(236)	(471)	1 175
Headline earnings				7 417
Continuing operations[1]				7 122
Discontinued operations[1]				295

[1] Refer note 19.1.

5.4 HEADLINE EARNINGS PER SHARE

For the year ended 31 December	Note	Group 2021	(Re-presented)[1] 2020
Headline earnings (Rm)	5.3	11 568	7 417
– Continuing operations (Rm)		11 512	7 122
– Discontinued operations (Rm)		56	295
Weighted average number of ordinary shares outstanding (million)		247	251
HEPS (cents)		4 683	2 955
– Continuing operations (cents)		4 660	2 837
– Discontinued operations (cents)		23	118
Diluted weighted average number of ordinary shares (million)		247	251
Diluted HEPS (cents)		4 683	2 955
– Continuing operations (cents)		4 660	2 837
– Discontinued operations (cents)		23	118

[1] Refer note 19.1.

5.5 DIVIDEND DISTRIBUTIONS

For the year ended 31 December	2021 cents	2020 cents
Dividends paid per share		
Final dividend (relating to prior year)	1 243	566
Special dividend	543	
Interim dividend (relating to current year)	2 077	643
Total dividends paid per share	3 863	1 209

Total dividends paid in 2021 amounted to R9 557 million. This amount was made up of:
- A final dividend relating to the 2020 financial year of 1 243 cps (amounting to R3 119 million to external shareholders) paid in May 2021
- A special dividend following the disposal of Exxaro's shareholding in Tronox Holdings plc of 543 cps (amounting to R1 363 million to external shareholders) paid in May 2021
- An interim dividend relating to the 2021 financial year of 2 077 cps (amounting to R5 075 million to external shareholders) paid in September 2021

A final cash dividend, number 38, for 2021 of 1 175 cps, was approved by the board of directors on 1 March 2022. The dividend is payable on 9 May 2022 to shareholders who will be on the register on 6 May 2022. The final dividend was declared from income generated during the year ended 31 December 2021 and has been declared from income reserves. This final dividend, amounting to approximately R2 838 million (to external shareholders), has not been recognised as a liability in 2021. It will be recognised in shareholders' equity in the year ending 31 December 2022.

The final dividend declared will be subject to a dividend withholding tax of 20% for all shareholders who are not exempt from or do not qualify for a reduced rate of dividend withholding tax. The net local dividend payable to shareholders, subject to dividend withholding tax at a rate of 20% amounts to 940 cps. The number of ordinary shares in issue at the date of this declaration is 349 305 092 (including treasury shares of 107 770 244).

Exxaro company's tax reference number is 9218/098/14/4.

Salient dates relating to payment of the final dividend

Last day to trade cum dividend on the JSE	Tuesday, 3 May 2022
First trading day ex dividend on the JSE	Wednesday, 4 May 2022
Record date	Friday, 6 May 2022
Payment date	Monday, 9 May 2022

No share certificate may be dematerialised or re-materialised between Wednesday, 4 May 2022 and Friday, 6 May 2022, both days inclusive. Dividends for certificated shareholders will be transferred electronically to their bank accounts on payment date. Shareholders who hold dematerialised shares will have their accounts at their central securities depository participant or broker credited on Monday, 9 May 2022.

5.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO EARNINGS

	Group		Company	
For the year ended 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Dividends paid				
Final dividend (relating to prior year)	(3 119)	(1 420)	(4 459)	(2 030)
Special dividend	(1 363)		(1 948)	
Interim dividend (relating to current year)	(5 075)	(1 614)	(7 314)	(2 307)
Total dividends paid for the financial year	(9 557)	(3 034)	(13 721)	(4 337)

The group dividends paid is different from the company dividends paid due to the dividends on treasury shares, which are eliminated on consolidation.

CHAPTER 6:
Operational performance and working capital

CHAPTER 6:
Operational performance and working capital

6.1 OPERATIONAL PERFORMANCE

6.1.1 Accounting policies relating to operational performance

6.1.1.1 Revenue

For group, revenue is derived from contracts with customers for the supply of goods and rendering of services.

For company, as an investment holding and services company, revenue is derived from its ordinary activities which include dividend income and interest income received from subsidiaries, associates and JVs, as well as from its revenue from contracts with customers for the rendering of services (refer note 19.2).

Revenue from contracts with customers

Timing of recognition

Revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service to a customer. A promised good or service is transferred when (or as) the customer obtains control of that promised good or service.

Measurement on recognition

The amount of revenue recognised is the amount of the transaction price that is allocated to a satisfied performance obligation. The amount is determined on a gross basis, when acting as a principal, or on a net basis when acting as an agent.

The total transaction price in a customer contract is allocated to the performance obligations identified in the contract based on their standalone selling prices. The standalone selling prices are determined based on listed prices at which those goods or services are sold in separate transactions. The customer contracts generally contain only one performance obligation and therefore the contract consideration generally reflects the standalone selling price of the performance obligation.

As a permitted practical expedient, no adjustment is made to the transaction price for the effects of the time value of money as the period of time between the delivery of goods or rendering of services and receipt of payment ranges between two weeks and 60 days, which is considered not to result in a significant financing component.

Nature of goods and services

Below is a summary of the different types of revenue depicting the standard terms and performance obligations for each type:

Revenue type	Performance obligation	Timing of when performance obligation is satisfied	Payment terms
Coal (domestic supply)	Delivery of coal at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 0 to 60 days
Coal (FOB export supply)	Delivery of coal at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Coal (CFR export supply)	Delivery of coal at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
	Rendering of freight services over time	As services are performed (over time)	Range: 15 to 60 days
Renewable energy (electricity sales)	Delivery of electricity over time measured at a contractually agreed-upon metering point (output method)	As consumed and measured at the metering point (over time)	Within 60 days
Ferrosilicon	Delivery of ferrosilicon at a contractually agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Biological goods	Delivery of biological goods at a contractual agreed-upon delivery point	On delivery (point in time)	Range: 15 to 60 days
Stock yard management services	Rendering of stock yard management services over time	As services are performed (over time)	Within 30 days
Project engineering services	Rendering of project engineering services over time	As services are performed (over time)	Within 30 days
Other mine management services	Rendering of other mine management services over time	As services are performed (over time)	Within 30 days
Transportation services	Rendering of freight or other transportation services over time (Including CFR basis for exports and special transportation arrangements by customers)	As services are performed (over time)	Range: 15 to 60 days
Corporate management services (company)	Rendering of corporate services over time	As services are performed (over time)	Within 30 days
Other services	Mainly rendering of storage services over time	As services are performed (over time)	Within 30 days

Dividend revenue

For company, dividend revenue from subsidiaries, associates and JVs are recognised when the right to receive payment is established.

Interest revenue

For company, interest revenue received from subsidiaries is recognised as it accrues in profit or loss, using the effective interest rate method.

6.1 OPERATIONAL PERFORMANCE continued

6.1.1 Accounting policies relating to operational performance continued

6.1.1.2 Discontinued operations

Discontinued operations are significant, distinguishable components of an operation that have been sold, abandoned or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale or abandonment of a discontinued operation is determined from the formalised discontinuance date and accounted for in profit or loss.

Management applies judgement on a case-by-case basis to determine whether an operation meets the criteria to be classified as a discontinued operation (disposal group). Refer note 6.1.4.

6.1.2 Revenue

The group derive revenue from its contracts with customers. Revenue has been disaggregated based on timing of revenue recognition, major type of goods and services, major geographic area and major customer industries.

	Group							
	Coal					Ferrous	Other	
	Commercial							
For the year ended 31 December 2021	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm	Alloys Rm	Other Rm	Total Rm
Segmental revenue reconciliation								
Segmental revenue[1]	16 852	9 439	5 089	15	1 193	168	15	32 771
Export sales allocated to selling entity	(2 495)	(8 328)		10 823				
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771
By timing and major type of goods and services								
Revenue recognised at a point in time	14 357	1 111	3 953	10 823		162	14	30 420
Coal	14 357	1 111	3 953	10 823				30 244
Ferrosilicon						162		162
Biological goods							14	14
Revenue recognised over time			1 136	15	1 193	6	1	2 351
Renewable energy					1 193			1 193
Stock yard management services			177					177
Project engineering services			959					959
Other mine management services				15				15
Transportation services						2		2
Other services						4	1	5
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771
By major geographic area of customer[2]								
Domestic	14 357	1 111	5 089	15	1 193	168	14	21 947
Export				10 823			1	10 824
Europe				7 092			1	7 093
Asia				2 955				2 955
Other				776				776
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771
By major customer industries								
Public utilities	12 031		5 089		1 193			18 313
Merchants	235	752		10 449				11 436
Steel	1 147	119		15				1 281
Mining	165	153		52		134		504
Manufacturing	364					34		398
Food and beverage	197						5	202
Cement	175	3						178
Chemicals		80						80
Other	43	4		322			10	379
Total revenue	14 357	1 111	5 089	10 838	1 193	168	15	32 771

[1] *Coal segmental revenue is based on the origin of coal production.*
[2] *Determined based on the customer supplied by Exxaro.*

CHAPTER 6:

Operational performance and working capital continued

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 Revenue continued

	Group							
	Coal					Ferrous	Other	
	Commercial							
For the year ended 31 December 2020	Waterberg Rm	Mpumalanga Rm	Tied Rm	Other Rm	Energy Rm	Alloys Rm	Other Rm	Total Rm
Segmental revenue reconciliation								
Segmental revenue[1]	15 449	8 037	4 355	34	889	147	13	28 924
Export sales allocated to selling entity	(2 002)	(7 357)		9 359				
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924
By timing and major type of goods and services								
Revenue recognised at a point in time (Restated)[2]	13 447	680	3 744	9 293		139	12	27 315
Coal	13 447	680	3 744	9 293				27 164
Ferrosilicon						139		139
Biological goods							12	12
Revenue recognised over time (Restated)[2]			611	100	889	8	1	1 609
Renewable energy[2]					889			889
Stock yard management services			154					154
Project engineering services			457					457
Other mine management services				34				34
Transportation services				66		2		68
Other services						6	1	7
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924
By major geographic area of customer[3]								
Domestic	13 447	680	4 355	34	889	147	8	19 560
Export				9 359			5	9 364
Europe				3 904			3	3 907
Asia				4 539			2	4 541
Other				916				916
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924
By major customer industries								
Public utilities	11 508		4 355	260	889			17 012
Merchants	174	345		8 525		2		9 046
Steel	1 014	79		77				1 170
Mining	56	103		126		119		404
Manufacturing	275					26		301
Food and beverage	250						8	258
Cement	132							132
Chemicals		145						145
Other	38	8		405			5	456
Total revenue	13 447	680	4 355	9 393	889	147	13	28 924

[1] *Coal segmental revenue is based on the origin of coal production.*
[2] *The comparative information has been restated to correct the classification of the renewable energy revenue from contracts with customers. An amount of R889 million has been reclassified from revenue recognised at a point in time to revenue recognised over time as renewable energy revenue is a continuous flow as consumed. The reclassification has not impacted revenue recognition nor measurement, as the amount of energy delivered (passing control to the customer) occur at the same point (metering point). The reclassification provides disclosures which are more comparable to the industry norm.*
[3] *Determined based on the customer supplied by Exxaro.*

The group derives revenue from an external customer which accounts for at least 10% or more of the group's revenues, being 56% or R18 312 million (2020: 58% or R16 779 million).

6.1 OPERATIONAL PERFORMANCE continued

6.1.2 Revenue continued

The company derives the following revenue types from its ordinary activities as an investment holding company and services company:

For the year ended 31 December	Note	Company 2021 Rm	Company (Restated)[1] 2020 Rm
Revenue from contracts with customers:		1 669	1 765
Rendering of services over time: Corporate management services rendered to subsidiaries	17.3.1	1 669	1 765
Dividend revenue[1]:		19 556	3 832
Associates and JVs	9.3	9 991	3 263
Subsidiaries	17.3.1	9 565	569
Interest revenue[1]:		2 389	2 002
Subsidiaries	17.3.1	2 389	2 002
– Interest-bearing back-to-back loans receivable	17.3.1	360	572
– Interest-bearing acquisition loans receivable	17.3.1	8	6
– Interest-bearing treasury facilities receivable	17.3.1	2 021	1 424
Total revenue		23 614	7 599

[1] *Refer to note 19.2.*

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses

For the year ended 31 December	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Cost by nature					
Operational expense items					
Raw materials and consumables		4 339	3 744	14	24
Depreciation and amortisation		2 677	2 436	192	148
Movement in inventories		311	232		
Staff costs		5 583	5 103	900	824
Other employee-related costs		204	195	29	37
Contract mining		1 675	2 409		
Repairs and maintenance		2 628	2 421	10	15
Railage and transport		2 175	3 101	1	1
Insurance		352	253	2	2
Exploration expenditure		22	28		
Royalties		970	530		
Water		146	151		
Energy		787	714	4	4
Information management costs		608	539	198	160
Legal and professional fees		491	653	242	321
Movement in provisions	13.3	4	(1 100)	(1)	(3)
Movement in retirement employee obligations	14.4	12	4		
Travel and subsistence		66	78	9	11
Security and office cleaning services		106	115	3	4
Licences		6	5		
Stock yard management services		177	154		
Project engineering services		959	457		
Financial gains and losses					
Currency exchange differences		(546)	(50)	128	58
Write-off of trade and other receivables		80	35	79	10
Write-off of ESD loans		12		12	
ECLs on financial assets at amortised cost		(57)	(144)	(18)	83
Fair value gains recognised on financial assets at FVPL		(186)	(114)	(71)	(1)
Fair value losses recognised on financial liabilities at FVPL		43	52		3
Losses on financial instruments revaluations recycled to profit or loss on deemed disposal of JV[1]			59		
Hedge ineffectiveness on cash flow hedges		10	57		
General items and expenses					
Gain on derecognition of financial asset at FVOCI[2]		(175)			
Gain on deemed disposal of JV[1]			(1 321)		
Gain on transfer of operation	8.3		(4)		
Gain on the disposal of joint operation	8.3		(17)		
Net gain on disposal/deregistration of subsidiaries	8.3			(2)	(121)
Loss on dilution of investment in associates	9.5		20		
Insurance recoveries for business interruption			(14)		
Insurance recoveries for property, plant and equipment			(18)		
Net losses on disposal of property, plant and equipment		46	92	25	14
Movement in indemnification asset			798		
Write-down of inventories to net realisable value			9		
Expenses relating to short-term leases		166	168	1	1
Expenses relating to leases of low value assets		9	12	2	9
Expenses relating to variable lease expenses of right-of-use assets		6	5		
Operating lease income		(36)	(34)	(7)	(6)
Research and development costs		2	4		3
Own work capitalised[3]		(524)	(357)		
General charges		1 207	1 289	149	196
Total operating expenses		24 343	22 749	1 901	1 797

[1] *2020: Relates to the step-up acquisition of Cennergi.*
[2] *During the year the four Chifeng refinery companies embarked on a process to consolidate the separate companies into one consolidated entity. The investments in the separate companies for certain of the phases were derecognised and the investment in the consolidated entity which includes all phases of the Chifeng refinery, was recognised on the consolidation date. Exxaro now holds an 8.81% shareholding in Chifeng.*
[3] *Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.*

6.1 OPERATIONAL PERFORMANCE continued

6.1.3 Operating expenses continued

For the year ended 31 December	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Further disaggregation of certain operating expense items:					
Staff costs		5 583	5 103	900	824
– Salaries and wages		4 851	4 373	699	628
– Share-based payment expense		246	250	155	150
– Termination benefits[1]		18	26	5	8
– Pension and medical costs		468	454	41	38
Consultancy fees[2]		365	526	176	249
Auditor's remuneration[2]		38	38	17	17
– Audit fees		30	30	12	12
– Other services		8	8	5	5
Depreciation and amortisation		2 677	2 436	192	148
– Depreciation of property, plant and equipment	10.1.3	2 445	2 237	134	91
– Depreciation of right-of-use assets	11.3	65	71	56	55
– Amortisation of intangible assets	10.2.3	167	128	2	2
ECL's on financial assets at amortised cost ((reversal of impairment losses)/impairment losses)		(57)	(144)	(18)	83
Non-current					
Other financial assets at amortised cost			1		
– Performing			1		
ESD Loans		8		8	
– Non-performing		8		8	
Lease receivables			1		
– Performing			1		
Vendor finance loan		7		7	
– Performing		7		7	
Current					
Trade and other receivables		(72)	(127)	(82)	74
Trade receivables		(74)			
– Performing		6	10		
– Under-performing			(1)		
– Non-performing		(80)	(9)		
Other receivables		2	(127)	(3)	(7)
– Non-performing		2	(127)	(3)	(7)
Indebtedness by subsidiaries				(79)	81
– Performing				(79)	81
Non-interest bearing loans to subsidiaries				(12)	10
– Performing				4	6
– Non-performing				(16)	4
Other financial assets at amortised cost		6	(1)	5	(1)
– Performing		6		5	
– Non-performing			(1)		(1)
Loans to associates		(29)	(18)		
– Under-performing		(29)	(18)		
ESD loans		23		23	
– Performing		1		1	
– Non-performing		22		22	
Treasury facilities with subsidiaries at amortised cost				33	
– Performing				33	
Fair value (gains)/losses recognised on financial assets at FVPL		(186)	(114)	(71)	(1)
– Derivative financial assets		(4)	10	(67)	
– Debt investments		(182)	(124)	(4)	(1)
Fair value losses recognised on financial liabilities at FVPL		43	52		3
– Derivative financial liabilities		43	49		
– Contingent consideration			3		3
Currency exchange differences		(546)	(50)	128	58
– Net realised (gains)/losses		(37)	167	156	196
– Net gains on translation differences recycled to profit or loss[3]		(482)	(103)		
– Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate[4]			(13)		
– Net unrealised gains		(27)	(101)	(28)	(138)
[1] Includes the following amounts for the TVPs:		*7*	*19*	*3*	*8*

[2] Disclosed as part of legal and professional fees.

[3] 2021: Relates to the recycling of FCTR on deregistration of Exxaro International BV (Gain of R518 million) and the deregistration of Exxaro Base Metals International BV (Loss of R36 million). 2020: Relates to recycling of FCTR on liquidation of Exxaro Base Metals China Limited (R102 million) and deregistration of Exxaro Resources (Beijing) Commercial Company Limited (R1 million).

[4] 2020: Relates to the disposal of Curapipe.

6.1 OPERATIONAL PERFORMANCE continued

6.1.4 Discontinued operations

The discontinued operations are:

Tronox SA

On 23 February 2021, Tronox Holdings plc exercised its "flip-in" call option over Exxaro's 26% shareholding in Tronox SA, for which Tronox Holdings plc delivered 7 246 035 newly issued Tronox Holdings plc Ordinary Shares to Exxaro on 24 February 2021. This resulted in the derecognition of the investment in Tronox SA and recognition of an additional investment in Tronox Holdings plc.

It was concluded that the related performance and cash flow information be presented as a discontinued operation as the investment in Tronox SA represents a separate geographical area of operation of the TiO_2 reportable segment.

Tronox Holdings plc

On 1 March 2021, Exxaro concluded a public offering in the United States of its 21 975 315 Tronox Holdings plc Ordinary Shares. The shares were sold at a public offering price of US$18.25 per share which was reduced by underwriting discounts and commissions resulting in an achieved price per share of US$17.43.

It was concluded that the related performance and cash flow information be presented as a discontinued operation as the investment in Tronox Holdings plc represents a major geographical area of operation as well as the majority of the TiO_2 reportable segment.

Financial information relating to the discontinued operations is set out below:

	Group	
For the year ended 31 December	2021 Rm	(Re-presented)[1] 2020 Rm
Financial performance		
Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate	876	
Gain on financial instruments revaluations recycled to profit or loss on disposal of associate	2	
Operating profit	878	
Net gains on disposal of associates	1 339	
– Total disposal consideration	7 781	
– Carrying amount of investments sold	(6 442)	
Net operating profit	2 217	
Dividend income received from non-current assets held-for-sale		69
Share of income of equity-accounted investment[1]	54	207
Profit before tax	2 271	276
Income tax expense	(379)	
Profit for the year from discontinued operations	1 892	276
Other comprehensive loss, net of tax	(878)	(50)
Items that have subsequently been reclassified to profit or loss:	(878)	
– Recycling of share of OCI of equity-accounted investments	(878)	
Items that may subsequently be reclassified to profit or loss:		(50)
– Share of OCI of equity-accounted investments		(50)
Total comprehensive income for the year	1 014	226
Cash flow information		
Cash flow attributable to investing activities		
– Dividend income received from non-current assets held-for-sale		69
– Proceeds from disposal of associate classified as non-current asset held-for-sale	5 763	
Cash flow attributable to discontinued operations	5 763	69

[1] *Refer note 19.1.*

6.1 OPERATIONAL PERFORMANCE continued

6.1.4 Discontinued operations continued

For the year ended 31 December 2021	Group Tronox SA Rm	Group Tronox Holdings plc Rm	Group Total Rm
Consideration:			
– Cash		5 763	5 763
– Tronox Holdings plc Ordinary Shares	2 018		2 018
Total disposal consideration	2 018	5 763	7 781
Carrying amount of net assets sold	(2 682)	(3 760)	(6 442)
– Investments in associates	(2 682)	(3 760)	(6 442)
(Loss)/gain on disposal of associates	(664)	2 003	(1 339)
Tax effect	(379)		(379)

For the year ended 31 December	Company 2021 Rm	Company 2020 Rm
Financial performance		
Revenue		69
– Dividend revenue		69
Gain on remeasurement of associate to fair value less costs of disposal		756
Net gains on disposal of associates	1 449	
– Total disposal consideration	7 781	
– Carrying amount of investments sold	(6 332)	
Profit before tax	1 449	825
Income tax expense	(379)	
Profit for the year from discontinued operations	1 070	825
Cash flow information		
Cash flow attributable to operating activities		
– Dividend revenue received		69
Cash flow attributable to investing activities		
– Proceeds from disposal of associate classified as non-current asset held-for-sale	5 763	
Cash flow attributable to discontinued operations	5 763	69

[1] *Refer note 19.1.*

For the year ended 31 December 2021	Company Tronox SA Rm	Company Tronox Holdings plc Rm	Company Total Rm
Consideration:			
– Cash received		5 763	5 763
– Tronox Holdings plc Ordinary Shares	2 018		2 018
Total disposal consideration	2 018	5 763	7 781
Carrying amount of net assets sold	(1 181)	(5 151)	(6 332)
– Investments in associates	(1 181)	(5 151)	(6 332)
Gain on disposal of associates	837	612	1 449
Tax effect	(379)		(379)

6.2 WORKING CAPITAL

6.2.1 Accounting policies relating to working capital

Inventories

Inventories are stated at the lower of cost (determined on the weighted average basis) and 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.

Net realisable value represents the estimated selling price in the ordinary course of business less applicable selling expenses. Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Inventory is presented as non-current when it is not expected to be sold or used within the normal business operating cycle.

Trade receivables

Trade receivables are amounts due from customers for the sale of goods and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Refer note 16.1 for further accounting policies relating to financial assets at amortised cost.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

6.2.2 Inventories

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Non-current				
Finished products	145	128		
Total non-current inventories	145	128		
Current				
Finished products[1]	887	1 128		
Work-in-progress	12	12		
Raw materials	4	7		
Spares and stores	696	667	5	7
Merchandise[2]	7	7		
Total current inventories	1 606	1 821	5	7
Total inventories	1 751	1 949	5	7

[1] *Includes inventory carried at net realisable value amounting to nil (2020: R37 million).*
[2] *Included in merchandise are biological assets classified as inventories.*

No inventories were pledged as security for liabilities in 2021 nor 2020.

6.2.3 Trade and other receivables

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Trade receivables	2 626	2 698		
– Gross	2 647	2 793		
– Impairment allowances	(21)	(95)		
Other receivables	75	129	1	7
– Gross	101	153	2	11
– Impairment allowances	(26)	(24)	(1)	(4)
Indebtedness by subsidiaries			324	639
– Gross			326	720
– Impairment allowances			(2)	(81)
Total trade and other receivables	2 701	2 827	325	646

6.2 WORKING CAPITAL continued

6.2.3 Trade and other receivables continued

6.2.3.1 Impairment allowances and write-offs

Trade and other receivables are stated after the following allowances for impairment:

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Trade receivables				
Opening balance	(95)	(95)		
– Performing	(15)	(5)		
– Under-performing		(1)		
– Non-performing	(80)	(89)		
Movement in impairment allowances	74			
– Performing	(6)	(10)		
– Under-performing		1		
– Non-performing	80	9		
At end of the year	(21)	(95)		
– Performing	(21)	(15)		
– Non-performing		(80)		
Other receivables				
Opening balance	(24)	(151)	(4)	(11)
– Non-performing	(24)	(151)	(4)	(11)
Movement in impairment allowances	(2)	127	3	7
– Non-performing	(2)	127	3	7
At end of the year	(26)	(24)	(1)	(4)
– Non-performing	(26)	(24)	(1)	(4)
Indebtedness by subsidiaries				
Opening balance			(81)	
– Performing			(81)	
Movement in impairment allowances			79	(81)
– Performing			79	(81)
At end of the year			(2)	(81)
– Performing			(2)	(81)

6.2 WORKING CAPITAL continued

6.2.3 Trade and other receivables continued

6.2.3.1 Impairment allowances and write-offs continued

Trade and other receivables are stated after the following write-offs recognised in profit or loss:

	Group		Company	
For the year ended 31 December	**2021 Rm**	**2020 Rm**	**2021 Rm**	**2020 Rm**
Trade receivables	(79)	(20)		
Other receivables	(1)	(15)		(10)
Indebtedness by subsidiaries			(79)	
Total write-off of trade and other receivables	(80)	(35)	(79)	(10)

For a detailed age analysis of the trade and other receivables refer to note 16.3.3.4.2.

6.2.4 Trade and other payables

	Group		Company	
At 31 December	**2021 Rm**	**2020 Rm**	**2021 Rm**	**2020 Rm**
Non-current				
Other payables[1]	53	24		
Total non-current other payables	53	24		
Current				
Trade payables	999	1 371	55	114
Other payables[2]	1 231	1 569	104	86
Total current trade and other payables	2 230	2 940	159	200
Total trade and other payables	2 283	2 964	159	200

[1] *Relates to retention creditors.*
[2] *2020: includes an amount of R296 million owing to Arnot Opco in relation to the environmental rehabilitation funds which are being held in trust on their behalf. This amount was settled in 2021.*

6.3 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE AND WORKING CAPITAL

6.3.1 Cash generated by operations

		Group	
For the year ended 31 December	Note	2021 Rm	(Re-presented)[1] 2020 Rm
Net operating profit[1]		9 677	4 797
– Continuing operations		7 460	4 797
– Discontinued operations	6.1.4	2 217	
Non-cash movements:			
Depreciation and amortisation	6.1.3	2 677	2 436
Impairment charges of non-current assets[1]	8.4	21	1 378
ECLs on financial assets at amortised costs		(57)	(144)
Write-off of trade and other receivables and ESD loans	6.1.3	92	35
Movement in provisions	6.1.3	4	(1 100)
Movement in retirement employee obligation		12	4
Net currency exchange differences		(27)	(8)
Fair value adjustments on financial instruments		(232)	(73)
Net loss on disposal of property, plant and equipment		46	92
Loss on disposal of subsidiaries	8.3	947	
Gain on derecognition of financial asset at FVOCI		(175)	
Gain on deemed disposal of JV			(1 321)
Gain on disposal of joint operation			(17)
Gain on transfer of operation			(4)
Net gains on disposal of associates	6.1.4	(1 339)	
Loss on dilution of investment in associates	6.1.3		20
Movement in indemnification asset			798
Share-based payment expense		246	250
Hedge ineffectiveness on cash flow hedges		10	57
Translation of net investment in foreign operations		(3)	(1)
Translation of foreign currency items		(147)	(12)
Amortisation of transaction costs		5	5
Non-cash recoveries		8	132
Net gains on translation differences recycled to profit or loss on deregistration and liquidation of foreign subsidiaries		(482)	(103)
Net gains on translation differences recycled to profit or loss on disposal of investment in foreign associate		(876)	(13)
Gain on financial instruments revaluations recycled to profit or loss on disposal of associate		(2)	
Losses on financial instruments revaluations recycled to profit or loss on deemed disposal of JV			59
Other non-cash movements		2	(8)
Cash before working capital movements		10 407	7 259
Working capital movements			
Increase in inventories		(113)	(157)
Decrease in trade and other receivables		266	515
Increase in trade and other payables		40	193
Utilisation of provisions	13.3	(48)	(40)
Cash generated by operations		10 552	7 770

[1] *Refer note 19.1.*

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6.3 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO OPERATIONAL PERFORMANCE AND WORKING CAPITAL continued

6.3.1 Cash generated by operations continued

For the year ended 31 December	Note	Company 2021 Rm	Company (Restated)[1] 2020 Rm
Profit before tax		21 123	2 455
– Continuing operations		19 674	1 630
– Discontinued operations		1 449	825
Adjusted for:			
Items separately disclosed:			
Finance income	12.1.2	(157)	(113)
Finance costs	12.1.2	2 198	2 054
Dividend income from financial assets		(2)	(4)
Non-cash movements:			
Dividend revenue from subsidiaries		(8 764)	
Depreciation and amortisation	6.1.3	192	148
Gain on remeasurement of associate to fair value less costs of disposal	6.1.4		(756)
Impairment charges of non-current assets	8.4		2 235
ECLs on financial assets at amortised costs		(18)	83
Write-off of trade and other receivables and ESD loans	6.1.3	91	10
Movement in provisions	6.1.3	(1)	(3)
Net currency exchange differences			45
Fair value adjustments on financial instruments		(4)	2
Net loss on disposal of property, plant and equipment		25	14
Net gains on divestment of subsidiaries		(2)	(121)
Net gains on disposal of associates	6.1.4	(1 449)	
Share-based payment expense		155	150
Amortisation of transaction costs		5	5
Cash before working capital movements		13 392	6 204
Working capital movements			
Decrease/(increase) in inventories		2	(4)
Decrease/(increase) in trade and other receivables		382	(43)
Decrease/(increase) in treasury facilities with subsidiaries (receivable)		771	(848)
Increased in non-interest-bearing loans from subsidiaries		168	220
Decrease in trade and other payables		(13)	(3)
Increase in treasury facilities with subsidiaries at amortised cost (payable)		1 815	1 952
Cash generated by operations		16 517	7 478

[1] *Refer note 19.2.*

CHAPTER 7:
Taxation

CHAPTER 7:
Taxation

7.1 ACCOUNTING POLICIES RELATING TO TAXATION

7.1.1 Income tax expense

Income tax expense or benefit comprises the sum of current and deferred tax.

The current tax payable or receivable is based on taxable profit for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income as it excludes items of income or expense that are taxable or deductible in other years in the determination of taxable profit or loss (temporary differences). It further excludes items that are never taxable nor deductible (non-temporary differences). The group's liability for tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

7.1.2 Deferred tax

Deferred tax is provided using the balance sheet method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for tax purposes.

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. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are set off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends and has the ability to settle its current tax assets and liabilities on a net basis.

7.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Deferred tax assets are recognised only to the extent that it is probable that the deductible temporary differences can be realised from the utilisation of future taxable profit or to the extent of expected probable future transactions which may result in capital gains. This requires management to make assumptions, on an entity by entity level, of future taxable profits or expected capital gains in determining the deferred tax asset to be raised.

7.3 INCOME TAX (EXPENSE)/BENEFIT

		Group		Company	
For the year ended 31 December	**Note**	**2021 Rm**	**2020 Rm**	**2021 Rm**	**2020 Rm**
South African normal tax					
Current		(1 863)	(951)	(74)	(18)
– Current year		(1 886)	(918)	(75)	(18)
– Prior year		23	(33)	1	
Deferred		(683)	266	(272)	145
– Current year		(673)	235	(270)	145
– Prior year		(10)	31	(2)	
Foreign normal tax					
Current		(24)	(21)		
– Current year		(24)	(21)		
– Prior year					
Dividend withholding tax		(12)	(13)		
– Non-resident		(11)	(13)		
– Resident		(1)			
Total income tax (expense)/benefit through profit or loss		(2 582)	(719)	(346)	127
– Continuing operations		(2 203)	(719)	33	127
– Discontinued operations	6.1.4	(379)		(379)	

7.4 RECONCILIATION OF TAX RATES

For the year ended 31 December	Group 2021 %	Group (Re-presented)[1] 2020 %	Company 2021 %	Company 2020 %
Tax as a percentage of profit before tax from continuing operations	13.2	7.4	(0.2)	(7.8)
Tax effect of:				
– Net capital (losses)/gains[2]	(1.0)	2.1	(0.2)	1.9
– Impairments charges		(1.5)		(38.4)
– Expenses not deductible for tax purposes[3]	(0.7)	(2.3)		(1.1)
– Exempt income[4]	0.1	2.6	27.9	65.9
– Post-tax equity-accounted income[5]	16.4	18.1		
– Remeasurements of foreign tax rate differences	0.2	0.3		
– Prior year tax adjustments	0.1			
– Deferred tax assets recognised		1.8	0.5	7.5
– Imputed income from controlled foreign companies and investments	(0.3)	(0.5)		
Standard tax rate	28.0	28.0	28.0	28.0
Effective tax rate for continuing operations, excluding income from equity-accounted investments	31.9	20.8		

[1] Refer note 19.1.
[2] Group: A deemed capital gain (-1.4%) on the intercompany sale and purchase of the RBCT shares between ECC (seller) and Exxaro Coal Proprietary Limited (purchaser) in 2017 as a result of the de-grouping corporate tax rule triggered by the ECC group leaving the Exxaro group of companies. This has partly been offset by the gain made on the Chifeng investment (+0.3%).
Company: Mainly relates to forgiveness of ECC loans.

	Group 2021 %	Group 2020 %	Company 2021 %	Company 2020 %
[3] Expenses not deductible for tax purposes:	*(0.7)*	*(2.3)*		*(1.1)*
– Consulting, legal and other professional fees	*(0.1)*	*(0.1)*	*(0.1)*	*(0.4)*
– ESD grants		*(0.1)*		*(0.4)*
– Share-based payments	*0.3*		*0.1*	*(0.3)*
– Penalties and interest on taxes	*(0.1)*			
– Distribution to beneficiaries of Exxaro ESOP Trust	*(0.3)*	*(0.1)*		
– Other[6]	*(0.5)*	*(2.0)*		*(0.1)*

[4] Group mainly relates to dividends received by Exxaro ESOP Trust and Exxaro Community NPC (a tax exempt institution). For company, relates to dividend income received.
[5] Relates mainly to equity-accounted income of SIOC (refer note 9.3).
[6] Relates to the environmental rehabilitation funds acquired by Exxaro Coal Proprietary Limited and Exxaro Coal Mpumalanga Proprietary Limited from Exxaro. Exxaro received the environmental rehabilitation funds as part of the divestment of the ECC operation (-1.2%). It has been partly offset by the realisation of FCTR on the deregistration of Exxaro International BV and Exxaro Base Metals International BV (+0.8%).

7.5 DEFERRED TAX

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
The movements on deferred tax are as follows:				
At beginning of the year	(7 160)	(6 671)	459	296
Items charged to profit or loss	(683)	266	(272)	145
– Current year	(673)	235	(270)	145
– Prior year	(10)	31	(2)	
Items charged directly to equity	15	30	8	18
– Share-based payments movement	15	30	8	18
Items charged directly to other comprehensive income	(74)	111		
– Cash flow hedges	(74)	120		
– Retirement employee obligations		(9)		
Reclassification to non-current assets held-for-sale		21		
Acquisition of subsidiaries		(917)		
At end of the year	(7 902)	(7 160)	195	459
– Deferred tax asset	369	1 076	195	459
– Deferred tax liability	(8 271)	(8 236)		

7.5 DEFERRED TAX continued

	At 31 December 2020		
	Assets Rm	Liabilities Rm	Total net liability Rm
Property, plant and equipment	(933)	(6 825)	(7 758)
Customer contracts		(752)	(752)
Right-of-use assets	(138)	7	(131)
Share-based payments	121	51	172
Other accruals and provisions	(2)	197	195
Bad debt reassessment	40	5	45
Restoration provisions	151	376	527
Decommissioning provisions	37	60	97
Leave pay accrual	30	36	66
Retention payables	21	111	132
Prepayments	(11)	(32)	(43)
Environmental rehabilitation funds	(62)	(475)	(537)
Income received in advance	6	1	7
Inventories	(9)	22	13
Lease receivables		(17)	(17)
Local tax losses carried forward	1 287	449	1 736
Revaluation of financial assets at FVOCI		(82)	(82)
Retirement employee obligations	41		41
Deferred tax assets not recognised or derecognised	111	(1 255)	(1 144)
Investment in RBCT		(196)	(196)
Unclaimed donations	72		72
Lease liabilities	145	6	151
Cash flow hedge reserve	122	(2)	120
Contributions to Exxaro ESOP Trust	47	79	126
Total	1 076	(8 236)	(7 160)

	Group					
	Movement during the year			At 31 December 2021		
	Recognised in profit or loss Rm	Recognised in OCI Rm	Recognised directly in equity Rm	Assets Rm	Liabilities Rm	Total net liability Rm
	(972)			(579)	(8 151)	(8 730)
	81				(671)	(671)
	7			(122)	(2)	(124)
	12		15	134	65	199
	24			58	161	219
	(35)			3	7	10
	(114)			209	204	413
	1			39	59	98
	2			31	37	68
	(63)			2	67	69
	(14)			(15)	(42)	(57)
	(88)			(242)	(383)	(625)
				7		7
	6				19	19
	2				(15)	(15)
	(514)			766	456	1 222
					(82)	(82)
	3			44		44
	830			(228)	(86)	(314)
	196					
	(24)			47	1	48
	(10)			139	2	141
	1	(74)		35	12	47
	(14)			41	71	112
	(683)	(74)	15	369	(8 271)	(7 902)

7.5 DEFERRED TAX continued

	Company			
	At 31 December 2020	Movement during the year		At 31 December 2021
	Total asset Rm	Recognised in profit or loss Rm	Recognised directly in equity Rm	Total asset[1] Rm
Property, plant and equipment	(19)	16		(3)
Right-of-use assets	(123)	16		(107)
Share-based payments	107	4	8	119
Other accruals and provisions	27	15		42
Bad debt reassessment	23	(23)		
Restoration provisions	10	1		11
Leave pay accrual	9	1		10
Environmental rehabilitation funds	(8)	(2)		(10)
Lease liabilities	127	(4)		123
Capital losses	286	(286)		
Unclaimed donations	16	(10)		6
Contributions to Exxaro ESOP Trust	4			4
Total	459	(272)	8	195

[1] *The deferred tax asset recognised for the company is supported by sufficient forecast profits to be utilised. The forecast profits are based on agreements in place with commodity businesses within Exxaro.*

Tax on calculated assessable losses and unredeemed capital expenditure

	Group	
At 31 December	2021 Rm	2020 Rm
Deferred tax assets not recognised, relating to:		
– Local accumulated tax losses[1]	(181)	(1 227)
– Current year tax losses calculated	(27)	(511)
– Unredeemed capital expenditure[1]		(867)

[1] *The decrease relates mainly to the disposal of the ECC operation.*

7.6 NOTES TO THE STATEMENTS OF CASH FLOWS RELATING TO TAXATION

7.6.1 Tax paid

	Group		Company	
For the year ended 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Amounts receivable/(payable) at beginning of the year	164	215	8	(10)
Acquisition of subsidiaries		(12)		
Amounts charged to the statement of comprehensive income	(1 899)	(985)	(74)	(18)
Arising on translation of foreign operations	(1)			
Reclassification to non-current assets held-for-sale	22	(20)		
Amounts payable/(receivable) at end of the year	394	(164)	7	(8)
Tax paid	(1 320)	(966)	(59)	(36)

7.7 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

	Group							
	2021				2020			
For the year ended 31 December	Gross Rm	Tax Rm	NCI Rm	Net Rm	Gross Rm	Tax Rm	NCI Rm	Net Rm
Unrealised exchange differences on translation of foreign operations	39		(9)	30	55		(12)	43
Changes in fair value of equity investment at FVOCI	49		(10)	39	(13)		4	(9)
Remeasurement of retirement employee obligations					30	(9)	(5)	16
Changes in fair value of cash flow hedges	117	(33)	(21)	63	(535)	150	86	(299)
Recycling of FCTR on deregistration and liquidation of subsidiaries	(482)		111	(371)	(103)		23	(80)
Recycling of FCTR on disposal of foreign associate	(876)		197	(679)	(13)		3	(10)
Recycling of financial instruments revaluations reserve on disposal of associate	(2)			(2)				
Recycling of financial instruments revaluations reserve on deemed disposal of JV					59		(13)	46
Recycling of changes in fair value adjustments on cash flow hedges	146	(41)	(28)	77	107	(30)	(17)	60
Share of OCI of equity-accounted investments relating to:	167	3	(40)	130	31	20	2	53
– Unrealised exchange differences on translation of foreign operations	179		(41)	138	15		(4)	11
– Revaluation of financial instruments					(54)	20	6	(28)
– Equity-settled reserve movement					68			68
– Changes in fair value of equity investments at FVOCI	(14)	3	2	(9)				
– Remeasurement of retirement employee obligations	2		(1)	1	2			2
Total	(842)	(71)	200	(713)	(382)	131	71	(180)

CHAPTER 8:
Business environment and portfolio changes

CHAPTER 8:
Business environment and portfolio changes

8.1 ACCOUNTING POLICIES RELATING TO BUSINESS ENVIRONMENT AND PORTFOLIO CHANGES

8.1.1 Non-current assets and liabilities held-for-sale

When the carrying amount of non-current assets and liabilities (or a disposal group) will be recovered principally through a disposal rather than through continuing use, such assets and liabilities are classified as non-current assets and liabilities held-for-sale and are measured at the lower of carrying amount and fair value less costs of disposal. This condition is regarded as met only when the disposal is highly probable and the assets and liabilities (or a disposal group) are available for immediate disposal in its present condition. Management must be committed to the disposal, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

8.1.2 Impairment of non-current assets

The carrying amounts of non-current assets (or CGUs) are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indicator of impairment exists, the recoverable amount of the asset is estimated as the higher of the fair value less costs of disposal and the value in use.

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

A previously recognised impairment loss is reversed (or partially 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 and amortisation) had no impairment loss been recognised in prior years.

Goodwill is tested annually for impairment (refer note 10.2.1).

8.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

IAS 36 *Impairment of Assets* (IAS 36)

In applying IAS 36, impairment assessments are performed whenever events or changes in circumstances indicate that the carrying amount of an asset or CGU may not be recoverable. Management, in particular, have identified and track indicators such as the movement in group market capitalisation, volatility in exchange rates, commodity prices and the economic environment in which the businesses operate, to assess whether there is an indication of impairment.

Assets, previously impaired, are reviewed for possible reversal of impairment at each reporting date.

Estimates are made in determining the recoverable amount of assets which includes the estimation of cash flows and discount rates used. In estimating the cash flows, management bases cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets. The discount rates used reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Judgements were required in the determination of key variables and future market conditions, particularly in relation to the parameters included in the following table:

Coal operations	2021	2020
Discount rate (%)[1]	14.30%	13.80%
Rand/US$ exchange rate	R15.25 to R15.74	R15.50 to R16.27
Coal API4 long-term price (per tonne)	US$78.00	US$72.14
Coal domestic selling price range (per tonne)	R800 to R1 200	R695 to R735

[1] *The discount rate was revised to take into account a material shift in strategy, changes in sovereign country risk and due to the revised targeted capital structure.*

Management considered and assessed reasonably possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the coal operations to exceed its recoverable amount.

Refer note 10.2.2 for details of the impairment testing performed on the Cennergi CGU.

8.3 DIVESTMENT OF NON-CORE ASSETS

The group divested from certain of its assets (or assets planned for disposal) that were identified as non-core to the future objectives of Exxaro. These divestments have taken place either by way of sale, transfer, deregistration or liquidation and presented as summarised below:

	Group		Company	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Loss on disposal of subsidiaries per statement of comprehensive income:	(947)			
– ECC operation	(946)			
– ADX	(1)			
Included in operating expenses[1]:		21	2	121
– Arnot operation: Gain on transfer of operation		4		
– EMJV: Gain on disposal of joint operation		17		
– ECC: Loss on disposal of subsidiary			2	
– Eyesizwe: Gain on partial disposal of subsidiary (Inter-group)				122
– Exxaro Beijing: Loss on deregistration of subsidiary				(1)

[1] *Items presented in operating expenses as the impact is considered not to be material.*

For the year ended 31 December 2021	Group ECC subsidiaries[1] Rm	Group ADX[2] Rm
Consideration:		
– Cash received	100	1
– Cash sold	(1)	(1)
– Deferred consideration receivable	150	
– Vendor finance loan	300	
– Environmental rehabilitation funds	721	
Total disposal consideration	1 270	
Carrying amount of net assets sold	(1 383)	(1)
Non-current	(860)	(1)
– Property, plant and equipment	(948)	
– Right-of-use assets	(1)	
– Intangible assets	(2)	(1)
– Financial assets at FVPL	(706)	
– Investments in associates	(19)	
– Provisions	785	
– Retirement employee obligations	1	
– Lease liabilities	7	
– Other payables	2	
– Deferred tax liabilities	21	
Current	(523)	
– Financial assets at amortised cost	(165)	
– Inventories	(522)	
– Trade and other receivables	(160)	
– Other assets	(78)	
– Lease liabilities	8	
– Trade and other payables	354	
– Other liabilities	40	
Loss on disposal of subsidiaries	(113)	(1)
Non-controlling interests[3]	(833)	
Net loss on disposal of subsidiaries	(946)	(1)
Tax effect	93	

[1] *On 3 September 2021, the ECC operation was sold.*
[2] *Sold on 31 December 2021.*
[3] *Relates to deficit NCI of Dorstfontein.*

8.3 DIVESTMENT OF NON-CORE ASSETS continued

For the year ended 31 December 2020	Group Arnot operation[1] Rm	 EMJV[2] Rm
Consideration:		
– Cash transferred	(14)	
Total disposal consideration	(14)	
Carrying amount of net liabilities sold	18	17
– Non-current other assets	(1 164)	
– Financial assets at amortised cost	(280)	
– Other current assets		(612)
– Provisions	1 444	612
– Retirement employee obligation	7	17
– Trade and other payables	5	
– Other current liabilities	6	
Gain on transfer of operation/disposal of joint operation[3]	4	17

[1] *Transfer of the Arnot operation to Arnot Opco.*
[2] *Relates to the disposal of the EMJV.*
[3] *After tax of nil.*

For the year ended 31 December 2021	Company ECC[1] Rm	 ADX[2] Rm
Consideration:		
– Cash received	100	1
– Deferred consideration receivable	150	
– Vendor finance loan	300	
– Environmental rehabilitation funds	721	
Total disposal consideration	1 271	1
Carrying amount of net assets sold	(1 269)	(1)
– Investment in subsidiaries	(969)	(1)
– Financial assets receivable	(300)	
Gain on disposal of subsidiary	2	
Tax effect	93	

[1] *On 3 September 2021, Exxaro sold its equity interest in ECC.*
[2] *Sold on 31 December 2021.*

For the year ended 31 December 2020	Company Eyesizwe[1] Rm	 Exxaro Beijing[2] Rm
Consideration:		
– Cash	924	
– Loans advanced	196	
Total disposal consideration	1 120	
Carrying amount of investment sold/deregistered	(998)	(1)
– Investment in subsidiaries	(998)	(1)
Gain on disposal/(loss on deregistration) of subsidiary[3]	122	(1)

[1] *Relates to the shares sold to Exxaro ESOP SPV and Exxaro Community NPC.*
[2] *Relates to the deregistration of Exxaro Resources (Beijing) Commercial Company Limited.*
[3] *After tax of nil.*

8.4 IMPAIRMENT CHARGES OF NON-CURRENT ASSETS

At 31 December	Group 2021 Rm	Group (Re-presented)[1] 2020 Rm
Thabametsi		
Impairment charges	(21)	
– Property, plant and equipment	(21)	
ECC operation		
Impairment charges		(1 378)
– Property, plant and equipment		(1 359)
– Right-of-use assets		(19)
Total impairment charges of non-current operating assets	(21)	(1 378)
Investments in associates		
Impairment charges		(504)
– Insect Technology		(458)
– Curapipe		(46)
Total impairment charges of equity-accounted investments		(504)
Net impairment charges of non-current assets	(21)	(1 882)
Net tax effect	6	236
Net effect on attributable earnings	(15)	(1 646)

[1] *Refer note 19.1.*

Thabametsi project

Exxaro Coal planned to commence with an operation (coal mining and beneficiation) to supply the planned Thabametsi IPP with coal. Progress on the IPP project was ceased at the end of 2021 due to the stakeholders no longer supporting the project.

Due to the cessation of the IPP project, certain assets which related to the Thabametsi project were reallocated to the infrastructure of the bigger Grootegeluk operation. On 31 December 2021, an impairment charge relating to the remaining Thabametsi project assets has been processed.

At 31 December	Company 2020 Rm
ECC operation	
Impairment charges	(1 520)
– Investment in subsidiary	(1 520)
Total impairment charges of investment in subsidiary	(1 520)
Investments in associates	
Impairment charges	(715)
– Insect Technology	(674)
– Curapipe	(41)
Total impairment charges of investments in associates	(715)
Net impairment charges of non-current assets[1]	(2 235)

[1] *Tax of nil.*

8.5 NON-CURRENT ASSETS AND LIABILITIES HELD-FOR-SALE

ECC operation

The ECC operation was identified as non-core to the future objectives of Exxaro. As a result, Exxaro embarked on a divestment process of its interest in ECC. On 31 December 2020, the ECC operation met all the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (IFRS 5).

On 8 April 2021, Exxaro signed an SPA with Overlooked Colliery and the sale became effective on 3 September 2021.

The ECC operation was reported as part of the coal commercial Mpumalanga reportable segment and did not meet the criteria to be classified as a discontinued operation since it did not represent a separate major line of business, nor did it represent a major geographical area of operation.

Tronox Holdings plc

In September 2017, the directors of Exxaro formally decided to dispose of the investment in Tronox Limited. As part of this decision, Tronox Limited was required to publish an automatic shelf registration statement of securities of well-known seasoned issuers which allowed for the conversion of Exxaro's Class B Tronox Limited Ordinary Shares to Class A Tronox Limited Ordinary Shares. From this point, it was concluded that the Tronox Limited investment should be classified as a non-current asset held-for sale as all the criteria in terms of IFRS 5 were met. As of 30 September 2017, the Tronox Limited investment, totalling 42.66% of Tronox Limited's total outstanding voting shares, was classified as a non-current asset held-for-sale and application of the equity method ceased.

Subsequently, Exxaro sold 22 425 000 Class A Tronox Limited Ordinary Shares during October 2017. During May 2019, Tronox Holdings plc repurchased 14 000 0000 Tronox Holdings plc Ordinary Shares from Exxaro after Tronox Limited had redomiciled to the UK. On 31 December 2020, management concluded that the remaining investment in Tronox Holdings plc continues to meet the criteria to be classified as a non-current asset held-for-sale in terms of IFRS 5. On 1 March 2021, all the Tronox Holdings plc Ordinary Shares were sold.

The major classes of assets and liabilities classified as non-current assets and liabilities held-for-sale are as follows:

	Group	Company
At 31 December	2020 Rm	2020 Rm
Assets		
Property, plant and equipment	841	
Right-of-use assets	1	
Intangible assets	2	
Investments in associates	1 741	3 133
– Tronox Holdings plc	1 741	3 133
Investment in subsidiaries		869
– ECC		869
Non-current financial asset at FVPL	655	
– Environmental rehabilitation funds	655	
Inventories	149	
Trade and other receivables	39	
Current financial assets	139	
– Loan to associates: Tumelo	139	
Current tax receivable	21	
Cash and cash equivalents	8	
Other current assets	153	
Non-current assets held-for-sale	3 749	4 002
Liabilities		
Non-current lease liabilities	(13)	
Other non-current payables	(7)	
Non-current provisions	(724)	
Retirement employee obligations	(1)	
Deferred tax liabilities	(21)	
Trade and other payables	(289)	
Current lease liabilities	(8)	
Current provisions	(2)	
Current tax payable	(1)	
Other current liabilities	(72)	
Non-current liabilities held-for-sale	(1 138)	
Net non-current assets held-for-sale	2 611	4 002

CHAPTER 9:
Associates and joint arrangements

CHAPTER 9:
Associates and joint arrangements

9.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

9.1.1 Investments in associates and joint arrangements

Associates are those entities in which the group has significant influence, but not control nor joint control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting rights of another entity, however, the determination of whether significant influence exists is also subject to the consideration of other facts and circumstances which are a matter of judgement.

Joint arrangements are arrangements in which the group has joint control, established by contracts requiring unanimous consent for decisions on the activities that significantly affect the arrangements' returns. Joint arrangements are classified and accounted for as follows:
- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are proportionately accounted for in relation to the joint operation
- JV: when the group has rights only to the net assets of the arrangements, its interest is accounted for using the equity method, similar to the accounting treatment for associates

The company carries its investments in associates and JVs at cost less accumulated impairment losses.

For group, the cost of investments in associates and JVs is the fair value at the date of acquisition or the fair value at the date of loss of control of a former subsidiary where the company retains an associate or JV interest in the former subsidiary.

For group, investments in associates and JVs are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The group financial statements include Exxaro's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of Exxaro, from the date that significant influence commences until the date that it ceases.

The cumulative post-acquisition movements in profit or loss and OCI are adjusted against the carrying amount of the investment in the group financial statements.

The group's interest in associates and JVs is carried in the statement of financial position at an amount that reflects its share of the net assets and the goodwill on acquisition.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

Unrealised gains from downstream transactions with equity-accounted investees are eliminated against the investment to the extent of Exxaro's interest in the investee. Unrealised gains from upstream transactions with equity-accounted investees are eliminated against related assets to the extent of Exxaro's interest in the investee.

9.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has. The following judgements have been applied in relation to the assessment of significant influence:
- RBCT: management concluded that significant influence exists on its 10.26% (2020: 10.26%) effective interest in RBCT as a result of Exxaro's representation on the board of directors of RBCT.

In applying IFRS 11 *Joint Arrangements*, management assessed the level of influence that the group has on its investments in joint arrangements and subsequently classified the investment in Mafube as a JV due to the fact that unanimous consent is required for board decisions.

9.3 INCOME FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividend revenue from investments in associates and JVs	
For the year ended 31 December	2021 Rm	(Re-presented)[1] 2020 Rm	2021 Rm	2020 Rm
Associates	9 415	6 124	9 991	3 119
SIOC	9 037	6 125	9 991	3 119
RBCT	(19)	5		
Black Mountain	352	122		
Tumelo	29			
Insect Technology		(109)		
LightApp	16	(18)		
Curapipe		(1)		
Joint ventures	375	80		144
Mafube	375	67		
Cennergi[2]		13		144
Income from investments in associates and JVs	9 790	6 204	9 991	3 263

[1] *Refer note 19.1.*
[2] *Equity-accounted income up to 31 March 2020.*

9.4 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Note	Nature of business[1]	Country of incorporation	Percentage holding 2021 %	Percentage holding 2020 %
Unlisted					
Associates					
SIOC[3]		M	RSA	20.62	20.62
Tronox SA[4]		M	RSA		26.00
RBCT		T	RSA	10.26	10.26
Black Mountain[5]		M	RSA	26.00	26.00
Insect Technology[6]	8.4	WC	UK	25.85	25.85
LightApp		EN	Israel	28.59	28.59
GAM[7]		EN	RSA	22.00	22.00
Joint ventures					
Mafube		M	RSA	50.00	50.00
Total investments in associates and JVs	9.5				
Unincorporated joint operations					
Moranbah coal project		M	AUS	50.00	50.00
Refer below for other balances relating to associates and JVs					
Included in non-current assets held-for-sale:					
Associates					
Listed: Tronox Holdings plc		M	UK		10.26
Unlisted: Tumelo[8]		M	RSA		49.00
Loans to associates: Tumelo					
– Current gross					
– Current impairment allowances					

1 *M — Mining, EN — Energy, T — Export terminal, WC — Waste conversion.*
2 *Fair value represents the directors' valuation at the reporting date.*
3 *The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2021 of R460.09 per share (31 December 2020: R622.81 per share), adjusted for a liquidity discount of 20% (2020: 20%).*
4 *The investment in Tronox SA was sold on 24 February 2021. (Refer note 6.1.4)*
5 *Black Mountain's financial year end is 31 March and therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.*
6 *The investment in Insect Technology was fully impaired in 2020.*
7 *The investment in GAM was fully impaired in 2019.*
8 *The investment in Tumelo was classified as a non-current asset held-for-sale on 31 December 2020 and subsequently sold on 3 September 2021 as part of the divestment of the ECC operation.*

Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm	Fair value[2] 2021 Rm	Fair value[2] 2020 Rm	Fair value hierarchy level	Valuation technique
15 542	18 594	143	1 324				
12 037	12 820			32 030	43 358	2	Adjusted equity value
	2 628		1 181				
2 034	2 053						
1 350	995						
121	98	143	143				
1 780	1 412						
1 780	1 412						
17 322	20 006	143	1 324				
	1 880		3 133				
	1 741		3 133				
	1 741		3 133				
	139						
	170						
	(31)						

Restrictions

There are no significant restrictions on the ability of associates or JVs to transfer funds to Exxaro in the form of cash dividends, or to repay loans or advances made by Exxaro.

Risks

Refer note 10.1.4 for details with regard to capital commitments relating to associates and JVs.
Refer note 16.3.4 for details with regard to loan commitments relating to associates and JVs.
Refer note 13.4.1 for details with regard to contingent liabilities relating to associates and JVs.

9.5 MOVEMENT ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group					
		Associates		Joint ventures		Total equity-accounted investments	
At 31 December	Note	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Gross carrying amount							
At beginning of the year		19 156	15 986	1 412	1 574	20 568	17 560
Interests disposed of[1]		(2 682)			(181)	(2 682)	(181)
Interests diluted			(20)				(20)
Reclassification to non-current assets held-for-sale		(19)				(19)	
Net share of results		9 470	6 332	368	89	9 838	6 421
– Share of income (continuing)	9.3	9 415	6 124	375	80	9 790	6 204
– Share of income (discontinued)	6.1.4	54	207			54	207
– Elimination of intergroup profits		1	1	(7)	9	(6)	10
Dividends received		(9 991)	(3 119)		(144)	(9 991)	(3 263)
Share of movement in reserves		170	(23)		74	170	51
At end of the year		16 104	19 156	1 780	1 412	17 884	20 568
Accumulated impairment							
At beginning of the year		(562)	(58)			(562)	(58)
Impairment charge	8.4		(504)				(504)
At end of the year		(562)	(562)			(562)	(562)
Net carrying amount at end of the year		15 542	18 594	1 780	1 412	17 322	20 006

[1] *2021: Relates to Tronox SA (refer note 6.1.4).*
2020: Relates to the deemed disposal of Cennergi JV.

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

The summarised financial information set out below relates to the associates and JVs that are material to the group, and represents 100% of the entity's financial performance and position, as adjusted to reflect adjustments made by Exxaro when using the equity method.

	Associates			Joint venture
	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income				
For the year ended 31 December 2021				
Revenue	102 092	1 573	8 329	3 296
Operating expenses	(42 298)	(1 575)	(6 167)	(2 145)
Net operating profit/(loss)	59 794	(2)	2 162	1 151
Finance income	763		12	5
Finance costs	(365)	(265)	(278)	(41)
Profit/(loss) before tax	60 192	(267)	1 896	1 115
Income tax (expense)/benefit	(16 367)	77	(539)	(381)
Profit/(loss) for the year	43 825	(190)	1 357	734
Other comprehensive income/(loss)	827	4	(10)	
Total comprehensive income/(loss) for the year	44 652	(186)	1 347	734
Dividends paid to Exxaro	9 991			
Statements of financial position				
At 31 December 2021				
Non-current assets	49 575	22 960	9 226	3 888
Current assets	31 666	461	1 365	1 502
Total assets	81 241	23 421	10 591	5 390
Equity and liabilities				
Total equity	58 377	19 821	5 191	3 559
Non-current liabilities	13 924	2 499	4 193	1 376
Current liabilities	8 940	1 101	1 207	455
Total equity and liabilities	81 241	23 421	10 591	5 390
Included above in JVs:				
Cash and cash equivalents				579
Depreciation and amortisation				285

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES continued

	Associates			Joint venture
	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income				
For the year ended 31 December 2020				
Revenue	80 104	1 615	5 704	2 127
Operating expenses	(39 354)	(1 402)	(4 878)	(1 845)
Net operating profit	40 750	213	826	282
Finance income	612		125	(9)
Finance costs	(288)	(174)	(297)	(43)
Profit before tax	41 074	39	654	230
Income tax (expense)/benefit	(11 287)	8	(184)	(76)
Profit for the year	29 787	47	470	154
Other comprehensive (loss)/income	(110)	(11)	3	
Total comprehensive income for the year	29 677	36	473	154
Dividends paid to Exxaro	3 119			
Statements of financial position				
At 31 December 2020				
Non-current assets	45 681	22 947	7 777	3 700
Current assets	37 005	445	1 417	930
Total assets	82 686	23 392	9 194	4 630
Equity and liabilities				
Total equity	62 182	20 014	3 827	2 824
Non-current liabilities	12 921	2 254	4 239	1 141
Current liabilities	7 583	1 124	1 128	665
Total equity and liabilities	82 686	23 392	9 194	4 630
Included above in JV:				
Cash and cash equivalents				401
Depreciation and amortisation				255

9.7 RECONCILIATION OF CARRYING AMOUNTS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) in 9.6, to the carrying value of the equity-accounted investment.

	Associates			Joint venture
Group	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
At 31 December 2021				
Closing net assets	58 377	19 821	5 191	3 559
Interest in equity-accounted investment (%)	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	12 037	2 034	1 350	1 780
Carrying amount	12 037	2 034	1 350	1 780
At 31 December 2020				
Closing net assets	62 182	20 014	3 827	2 824
Interest in equity-accounted investment (%)	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	12 822	2 053	995	1 412
Unrealised profit in closing balances	(2)			
Carrying amount	12 820	2 053	995	1 412

CHAPTER 10:
Assets

CHAPTER 10:
Assets

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.1 Accounting policies relating to property, plant and equipment

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture* and are therefore accounted for under the requirements for plant and equipment. The cherry trees are classified as immature until the produce can be commercially harvested. At that point depreciation commences. Immature cherry trees are measured at accumulated cost.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual values of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

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

	Units of measure	Coal		Energy		Ferrous		Other	
		2021	2020	2021	2020	2021	2020	2021	2020
Mineral properties	Years	1.5 to 5	2.5 to 25						
Residential buildings	Years	1 to 40	1 to 40						
Buildings and infrastructure	Years	1 to 40	1 to 40	26.3 to 26.4	26.3 to 26.4	10 to 20	10 to 20	20 to 25	20 to 25
Machinery, plant and equipment	Years	1 to 40	1 to 40	3 to 26.4	3 to 26.4	5 to 25	5 to 25	1 to 20	1 to 20
	Hours ('000)	13 to 50	13 to 50						
	Tonnes (Mt)	6.7 to 1 300	6.7 to 1 300						
Site preparation, mining development and rehabilitation	Years	1 to 25	1 to 25						
	Tonnes (Mt)	6.7 to 72.7	6.7 to 72.7						
Bearer plants (mature)	Years							7	7

Exploration costs

Exploration and evaluation costs are expensed until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not of being realised. In evaluating if expenditure meets the criteria to be capitalised, several sources of information depending on the level of exploration, are utilised. While the criteria for determining capitalisation is based on the probability of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

Development expenditure is accumulated separately for each area in which economically recoverable resources (as determined per project) have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of material, direct labour and an appropriate proportion of production overheads. Development costs are capitalised once approval for such development is obtained from management (as determined per project). Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets.

10.1.2 Significant judgements and assumptions made by management in applying the related accounting policies

Depreciation and useful lives

The depreciable amounts of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect to the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal. If an asset is expected to be abandoned the residual value is estimated at nil. In determining the useful life of assets, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights, as well as obsolescence.

Management makes estimates of coal resources and coal reserves in accordance with the SAMREC Code (2009) for South African properties and the Joint Ore Reserves Committee Code (2012) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis

		Group								
At 31 December 2021	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation and mining develop-ment Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year		524	1 108	785	7 943	31 521	633	2	6 174	48 690
Additions				3	515	467	81		1 177	2 243
Changes in decommissioning assets	13.3				5	27				32
Borrowing costs capitalised	12.1.2								307	307
Disposals				(4)		(225)			(25)	(254)
Reclassification to non-current assets held-for-sale					(11)	(84)	(29)		17	(107)
Transfer between classes					38	1 224			(1 262)	
Exchange differences on translation		3								3
At end of the year		527	1 108	784	8 490	32 930	685	2	6 388	50 914
Accumulated depreciation										
At beginning of the year			(524)	(189)	(1 269)	(8 075)	(138)	(1)		(10 196)
Charges for the year	6.1.3		(55)	(26)	(377)	(1 914)	(73)			(2 445)
Disposals				1		197				198
At end of the year			(579)	(214)	(1 646)	(9 792)	(211)	(1)		(12 443)
Accumulated impairment										
At beginning of the year					(11)	(87)			(1)	(99)
Charges for the year	8.4				(21)					(21)
At end of the year					(32)	(87)			(1)	(120)
Net carrying amount at end of the year		527	529	570	6 812	23 051	474	1	6 387	38 351

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis continued

At 31 December 2020	Note	Group Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation and mining develop-ment Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year		514	2 135	786	5 709	23 144	737	2	9 762	42 789
Additions					413	942	196		1 589	3 140
Changes in decommissioning assets	13.3				(14)	(56)	3		(21)	(88)
Borrowing costs capitalised	12.1.2								374	374
Acquisition of subsidiaries					4	5 948				5 952
Transfer of operation			(137)							(137)
Disposals			(27)	(1)	(34)	(592)	(13)		(3)	(670)
Reclassification to non-current assets held-for-sale		(4)	(991)		(150)	(1 063)	(393)		(84)	(2 685)
Transfer between classes			128		2 014	3 198	103		(5 443)	
Exchange differences on translation		14			1					15
At end of the year		524	1 108	785	7 943	31 521	633	2	6 174	48 690
Accumulated depreciation										
At beginning of the year			(703)	(164)	(1 026)	(7 136)	(93)			(9 122)
Charges for the year	6.1.3		(57)	(26)	(294)	(1 774)	(85)	(1)		(2 237)
Transfer of operation			137							137
Disposals			26	1	28	480	6			541
Reclassification to non-current assets held-for-sale			73		23	354	35			485
Transfer between classes						1	(1)			
At end of the year			(524)	(189)	(1 269)	(8 075)	(138)	(1)		(10 196)
Accumulated impairment										
At beginning of the year					(14)	(90)			(1)	(105)
Charges for the year	8.4		(837)		(33)	(305)	(154)		(30)	(1 359)
Disposals					3	3				6
Reclassification to non-current assets held-for-sale			837		33	305	154		30	1 359
At end of the year					(11)	(87)			(1)	(99)
Net carrying amount at end of the year		524	584	596	6 663	23 359	495	1	6 173	38 395

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 Property, plant and equipment composition and analysis continued

At 31 December 2021	Note	Company Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year		1	844	241	1 086
Additions			5	63	68
Disposals			(13)	(25)	(38)
Transfer between classes			42	(42)	
At end of the year		1	878	237	1 116
Accumulated depreciation					
At beginning of the year			(487)		(487)
Charges for the year	6.1.3		(134)		(134)
Disposals			13		13
At end of the year			(608)		(608)
Net carrying amount at end of the year		1	270	237	508

At 31 December 2020	Note	Company Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year		1	831	253	1 085
Additions			9	93	102
Disposals			(101)		(101)
Transfer between classes			105	(105)	
At end of the year		1	844	241	1 086
Accumulated depreciation					
At beginning of the year			(483)		(483)
Charges for the year	6.1.3		(91)		(91)
Disposals			87		87
At end of the year			(487)		(487)
Net carrying amount at end of the year		1	357	241	599

10.1.4 Capital commitments

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Contracted	2 071	2 339	10	118
Contracted (owner-controlled)	1 313	1 990	10	118
Share of capital commitments of equity-accounted investments	758	349		
Authorised, but not contracted	1 402	1 484	164	151
Authorised but not contracted (owner-controlled)	1 402	1 484	164	151

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

10.2 INTANGIBLE ASSETS

10.2.1 Accounting policies relating to intangible assets

Patents, licences and customer contracts

Patents, licences and customer contracts are intangible assets with a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the finite useful life assets from the date available for use. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate. The estimated useful lives of intangible assets with a finite useful life are:

	2021	2020
Customer contracts	16.3 to 16.4 years	16.3 to 16.4 years
Patents and licences	1 to 25 years	1 to 25 years

Impairment testing is undertaken when circumstances indicate that the carrying amount may not be recoverable.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets.

Goodwill is carried at cost less accumulated impairment losses and is not subject to amortisation, but rather tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or group of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

10.2.2 Significant judgements and assumptions made by management in applying the related accounting policies

Impairment testing of goodwill

In allocating goodwill, the Cennergi group of companies has been identified as a single CGU to which the goodwill of R521 million has been allocated.

The Cennergi CGU was assessed for impairment as at 31 December 2021 and 31 December 2020 as a result of the requirement to test goodwill annually for impairment. There were no other indicators of impairment for the Cennergi CGU during the reporting periods. No impairment charge was required as the recoverable amount, determined using fair value less costs of disposal, exceeded the carrying amount.

The recoverable amount was derived using a DCF model which is a level 3 valuation technique in terms of the fair value hierarchy. The valuation has been performed in South African rand using the following information:

- Approved financial budgets covering a five-year period
- Project financing models post the five-year budget period up to the end of the contractual life of the power purchase agreements
- Extrapolated results for a further post-contractual 10-year period, representing the expected additional economic life for which the wind farms are expected to operate.

10.2 INTANGIBLE ASSETS continued

10.2.2 Significant judgements and assumptions made by management in applying the related accounting policies continued

Impairment testing of goodwill continued

The key assumptions made by management (expressed in nominal terms) and management's approach to determining these key assumptions is summarised as follows:

Key assumptions	Management's approach used to determining the values	2021	2020
Discount rate[1]:	Determined applying a risk-free rate of return adjusted for risks inherent to the Cennergi CGU	10.53%	13.80%
Remaining life of Cennergi CGU:	The wind farms are expected to have a further operating capability of an additional ten-years post the existing power purchase agreements in accordance with technical engineering assessments. In addition, given the expected growth in demand for energy in South Africa, coupled with limited supply of energy, and in particular the worldwide drive towards energy supply to be from renewable sources, it is considered that there is a market with value post the existing power purchase agreements.	25.4 years	26.4 years
Gigawatt generation:	The Gigawatt generation assumption has been determined based on past experience, as well as environmental assessments of wind conditions and capability of the turbines.	664 GWh to 745 GWh	664 GWh
Tariff escalation:	The tariff is based on CPI escalation during the power purchase agreement term which has been determined based on past experience and from economist projected outlooks of CPI. For the post 10-year period the tariff has been set at a reduced constant expected CPI.	4.5%	4.5% to 5.7%

[1] *The discount rate was revised to take into account a material shift in strategy, changes in sovereign country risk and due to the revised targeted capital structure.*

Management considered and assessed all reasonably possible changes to the key assumptions and have not identified any instances that could cause the carrying amount of the Cennergi CGU to exceed its recoverable amount.

10.2.3 Intangible assets composition and analysis

		Group			
At 31 December 2021	Note	Goodwill Rm	Customer contracts Rm	Patents and licences Rm	Total Rm
Gross carrying amount					
At beginning of the year		521	2 685	39	3 245
Disposal of subsidiary	8.3			(1)	(1)
At end of the year		521	2 685	38	3 244
Accumulated amortisation					
At beginning of the year			(123)	(27)	(150)
Charges for the year	6.1.3		(164)	(3)	(167)
At end of the year			(287)	(30)	(317)
Net carrying amount at end of the year		521	2 398	8	2 927

10.2 INTANGIBLE ASSETS continued

10.2.3 Intangible assets composition and analysis continued

		Group			
At 31 December 2020	**Note**	**Goodwill Rm**	**Customer contracts Rm**	**Patents and licences Rm**	**Total Rm**
Gross carrying amount					
At beginning of the year		1 524		43	1 567
Additions				2	2
Acquisition of subsidiaries		521	2 685		3 206
Exchange differences				1	1
Reclassification to non-current assets held-for-sale		(1 524)		(7)	(1 531)
At end of the year		521	2 685	39	3 245
Accumulated amortisation					
At beginning of the year				(27)	(27)
Charges for the year	6.1.3		(123)	(5)	(128)
Reclassification to non-current assets held-for-sale				5	5
At end of the year			(123)	(27)	(150)
Accumulated impairment					
At beginning of the year		(1 524)			(1 524)
Reclassification to non-current assets held-for-sale		1 524			1 524
At end of the year					
Net carrying amount at end of the year		521	2 562	12	3 095

		Company	
At 31 December 2021	**Note**	**Patents and licences Rm**	**Total Rm**
Gross carrying amount			
At beginning of the year		22	22
At end of the year		22	22
Accumulated amortisation			
At beginning of the year		(16)	(16)
Charges for the year	6.1.3	(2)	(2)
At end of the year		(18)	(18)
Net carrying amount at end of the year		4	4

At 31 December 2020	**Note**	**Patents and licences Rm**	**Total Rm**
Gross carrying amount			
At beginning of the year		22	22
At end of the year		22	22
Accumulated amortisation			
At beginning of the year		(14)	(14)
Charges for the year	6.1.3	(2)	(2)
At end of the year		(16)	(16)
Net carrying amount at end of the year		6	6

10.3 FINANCIAL ASSETS

10.3.1 Accounting policies relating to financial assets

The accounting policy for financial assets is disclosed in note 16.1 of financial instruments.

10.3.2 Financial assets composition

		Group		Company	
At 31 December	Note	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Non-current					
Financial assets at FVOCI		446	222		
Equity: unlisted – Chifeng[1]		446	222		
Financial assets at FVPL		2 173	1 247	34	30
Debt: unlisted – environmental rehabilitation funds		2 173	1 247	34	30
Financial assets at amortised cost		618	672	5 225	1 376
ESD loans[2]		91	79	91	79
Vendor finance loan[3]		293		293	
Interest-bearing loans to subsidiaries[4]	17.5			4 841	1 297
Other financial assets at amortised cost		234	593		
– Environmental rehabilitation funds		94	386		
– Deferred pricing receivable[5]		145	212		
– Impairment allowances		(5)	(5)		
Total non-current financial assets	16.3	3 237	2 141	5 259	1 406
Current					
Financial assets at FVPL		4			
Derivative financial assets		4			
Financial assets at amortised cost		307	169	6 260	11 386
ESD loans[2]		90	105	90	105
Vendor finance loan[3]		7		7	
Interest-bearing loans to subsidiaries[4]	17.5			858	6 041
Non-interest-bearing loans to subsidiaries[6]	17.5			357	353
Treasury facilities with subsidiaries[7]	17.5			4 803	4 887
Other financial assets at amortised cost		210	64	145	
– Deferred pricing receivable[5]		67	64		
– Deferred consideration receivable[8]		150	1	150	
– Employee receivables		4	4	4	4
– Impairment allowances		(11)	(5)	(9)	(4)
Total current financial assets	16.3	311	169	6 260	11 386
Total financial assets		3 548	2 310	11 519	12 792

[1] *During the year the four Chifeng refinery companies embarked on a process to consolidate the separate companies into one consolidated entity. The investments in the separate companies for certain of the phases were derecognised and the investment in the consolidated entity which includes all phases of the Chifeng refinery, was recognised on the consolidation date. Exxaro now holds an 8.81% shareholding in Chifeng.*

[2] *Interest-free loans advanced to successful applicants in terms of the Exxaro ESD programme.*

[3] *Vendor finance loan granted to Overlooked Colliery as part of the disposal of the ECC operation. The loan is unsecured, repayable from 2026 and bears interest at:*
– Prime Rate for the period 3 September 2021 to 31 August 2028
– Prime Rate plus 1 for the period 1 September 2028 to 31 August 2029
– Prime Rate plus 2 for the period 1 September 2029 to 31 August 2030
– Prime Rate plus 3 for the period 1 September 2030 to 31 August 2031.

[4] *Includes back-to-back loans as well as other interest-bearing loans. Refer note 17.5 for details of the terms and conditions.*

[5] *Relates to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years (ending 2024) and bears interest at Prime Rate less 2%.*

[6] *These loans are interest-free, unsecured and repayable on demand.*

[7] *Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.*

[8] *2021: Relates to deferred consideration receivable which arose on the disposal of the ECC operation.*
2020: Relates to deferred consideration receivable which arose on the disposal of mineral properties.

10.4 OTHER ASSETS

10.4.1 Other assets composition

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Non-current				
Reimbursements[1]	388	373		
Biological assets	27	28		
Lease receivables[2]	45	53		
Other	86	76	1	1
Total non-current other assets	546	530	1	1
Current				
VAT	351	290		
Diesel rebates	113	214		
Royalties	1	127		
Prepayments	208	144	18	5
Current tax receivables	24	198		8
Lease receivables[2]	7	6		
Other	55	41	2	1
Total current other assets	759	1 020	20	14
Total other assets	**1 305**	**1 550**	**21**	**15**

[1] *Amounts recoverable from Eskom in respect of the rehabilitation, environmental expenditure and retirement employee obligation of the Matla operation at the end of LoM.*
[2] *The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro funds the capital for a period of 15 years. The municipality's share of the capital expenditure will be recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 14.3% (2020: 13%) per annum.*

CHAPTER 11:
Leases

CHAPTER 11:
Leases

11.1 ACCOUNTING POLICIES RELATING TO LEASES

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception, or upon reassessment, of a contract that contains a lease component, the consideration in the contract is allocated to each lease and non-lease component on the basis of their relative standalone prices.

An accounting policy choice was made not to apply IFRS 16 to leases of intangible assets.

As lessee

a) Recognition

A lease is recognised as a lease liability and corresponding right-of-use asset at the commencement date of the lease. Each lease payment is allocated between the settlement of the lease liability and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, except when there is a purchase option which is expected to be exercised, in which case it is depreciated over the asset's useful life.

Non-lease components, contained in a lease, are recognised as an expense in profit or loss when incurred.

b) Measurement

i) Initial measurement

Right-of-use assets	Lease liabilities
Measured at cost which is: • The amount of the initial measurement of the lease liability • Plus any lease payments made at or before the commencement date • Less any lease incentives received • Plus any initial direct costs • Plus estimated restoration costs.	Measured at the present value of the following lease payments: • Fixed payments (including in-substance fixed payments), less any lease incentives receivable • Variable lease payments that are based on an index or a rate • Amounts expected to be payable by the lessee under residual value guarantees • The exercise price of a purchase option if the lessee is reasonably certain to exercise that option • Payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, an incremental borrowing rate is applied.

ii) Subsequent measurement

Right-of-use assets	Lease liabilities
The right-of-use asset is measured applying the cost model where a right-of-use asset falls within the scope of IAS 16 *Property, Plant and Equipment.* Measured at: • Cost less • Accumulated depreciation and accumulated impairment losses • Adjusted for any remeasurements or modifications of the lease liability.	The lease liability is measured by: • Increasing the carrying amount to reflect interest on the lease liability • Reducing the carrying amount to reflect the lease payments made • Remeasuring the carrying amount to reflect any reassessment or lease modification or to reflect revised in-substance fixed lease payments.

Useful lives	2021	2020
Land and buildings	10 to 30 years	10 to 30 years
Residential land and buildings	2 years	3 years
Buildings and infrastructure	3 to 10 years	3 to 10 years
Machinery, plant and equipment	3 to 5 years	2 to 5 years

Incremental borrowing rates	2021	2020
Lease term greater than 12 months but less than 18 months	7.85%	7.85%
Lease term greater than 18 months	6.09% to 10.43%	7.33% to 10.44%

c) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis, over the lease term, as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value assets comprise IT equipment, furniture, fittings and appliances as well as tools and other small equipment.

11.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

a) Incremental borrowing rates

In determining the incremental borrowing rates, management considers the term of the lease, the nature of the asset being leased and the funding strategy and principles applied by the group's treasury department.

b) Extensions and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

11.3 RIGHT-OF-USE ASSETS

		Group				
At 31 December 2021	Note	Land and buildings Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Total Rm
Gross carrying amount						
At beginning of the year		51	2	508	2	563
Additions				1		1
Remeasurement adjustments[1]		3		8	1	12
Lease expiry and terminations				(6)		(6)
At end of the year		54	2	511	3	570
Accumulated depreciation						
At beginning of the year		(1)	(1)	(106)	(2)	(110)
Charges for the year	6.1.3	(2)	(1)	(62)		(65)
Lease expiry and terminations				6		6
At end of the year		(3)	(2)	(162)	(2)	(169)
Net carrying amount at end of the year		51		349	1	401

[1] *Relates to remeasurements arising from changes in CPI, as well as lease terms.*

		Group				
At 31 December 2020	Note	Land and buildings Rm	Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Total Rm
Gross carrying amount						
At beginning of the year		1	5	497	22	525
Additions			1		23	24
Remeasurement adjustments[1]		1		9		10
Lease expiry and terminations			(1)		(18)	(19)
Lease modifications		(3)				(3)
Acquisition of subsidiaries		49		2		51
Reclassification to non-current assets held-for-sale	8.5				(25)	(25)
At end of the year		51	2	508	2	563
Accumulated depreciation						
At beginning of the year			(1)	(48)	(14)	(63)
Charges for the year	6.1.3	(1)	(1)	(58)	(11)	(71)
Lease expiry and terminations			1		18	19
Reclassification to non-current assets held-for-sale	8.5				5	5
At end of the year		(1)	(1)	(106)	(2)	(110)
Accumulated impairment						
Charges for the year	8.4				(19)	(19)
Reclassification to non-current assets held-for-sale	8.5				19	19
At end of the year						
Net carrying amount at end of the year		50	1	402		453

[1] *Relates to remeasurements arising from changes in CPI, as well as lease terms.*

11.3 RIGHT-OF-USE ASSETS continued

At 31 December 2021	Note	Company Buildings and infrastructure Rm	Company Total Rm
Gross carrying amount			
At beginning of the year		490	490
Remeasurement adjustments[1]		7	7
Lease expiry and terminations		(6)	(6)
At end of the year		491	491
Accumulated depreciation			
At beginning of the year		(99)	(99)
Charges for the year	6.1.3	(56)	(56)
Lease expiry and terminations		6	6
At end of the year		(149)	(149)
Net carrying amount at end of the year		342	342

[1] *Relates to remeasurements arising from changes in CPI, as well as lease terms.*

At 31 December 2020	Note	Company Buildings and infrastructure Rm	Company Total Rm
Gross carrying amount			
At beginning of the year		483	483
Remeasurement adjustments[1]		7	7
At end of the year		490	490
Accumulated depreciation			
At beginning of the year		(44)	(44)
Charges for the year	6.1.3	(55)	(55)
At end of the year		(99)	(99)
Net carrying amount at end of the year		391	391

[1] *Relates to remeasurements arising from changes in CPI, as well as lease terms.*

11.4 LEASE LIABILITIES

At 31 December	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Non-current		470	493	408	432
Current		34	29	30	23
Total lease liabilities		504	522	438	455
Summary of lease liabilities by period of redemption:					
Less than six months		16	14	14	11
Six to 12 months		18	15	16	12
Between one and two years		43	34	38	30
Between two and three years		53	43	49	39
Between three and four years		53	43	53	42
Between four and five years		66	53	65	53
Over five years		255	320	203	268
Total lease liabilities		504	522	438	455
Analysis of movement in lease liabilities					
At beginning of the year		522	488	455	465
New leases		1	24		
Acquisition of subsidiaries			55		
Reclassification to non-current liabilities held-for-sale		5	(21)		
Lease remeasurement adjustments		12	10	7	7
Lease modification adjustments			(3)		
Exchange difference on translation			1		
Capital repayments		(36)	(32)	(24)	(17)
– Lease payments		(89)	(86)	(70)	(65)
– Interest charges	12.1.2	53	54	46	48
At end of the year		504	522	438	455

CHAPTER 12:
Funding

CHAPTER 12:
Funding

12.1 DEBT

12.1.1 Accounting policies relating to net financing costs and interest-bearing borrowings

Borrowing costs, finance income and other financing expenses

Fees paid on the establishment of loan facilities are capitalised to the loan as transaction costs to the extent that it is directly related to the establishment of the loan facility. This fee is deferred until the draw down occurs upon which it is amortised over the loan term using the effective interest rate method. To the extent that it is not probable that some or all of the facility will be drawn down (ie revolving credit facility), the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Fees and commission

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

Loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

12.1.2 Net financing costs

		Group		Company	
For the year ended 31 December	Note	2021 Rm	2020 Rm	2021 Rm	(Restated)[1] 2020 Rm
Finance income		239	215	157	113
Interest income relating to:		240	217	157	113
– Financial assets at amortised cost		24	28	7	
– Cash and cash equivalents		195	172	150	113
– Financial assets at FVPL		4	4		
– Non-financial assets		9	5		
– Finance leases		8	8		
Reimbursement of interest income on environmental rehabilitation funds		(4)	(5)		
Commitment fee income		3	3		
Finance costs		(860)	(1 047)	(2 198)	(2 054)
Interest expense relating to:		(798)	(1 038)	(2 182)	(2 042)
– Interest-bearing borrowings		(725)	(936)	(383)	(645)
– Financial liabilities at amortised cost		(7)			
– Bank overdrafts		(1)	(41)	(1)	(41)
– Non-financial liabilities		(12)	(7)		
– Indebtedness by subsidiaries	17.3.2			(1 752)	(1 308)
– Lease liabilities	11.4	(53)	(54)	(46)	(48)
Net fair value losses on interest rate swaps designated as cash flow hedges: recycled from OCI		(146)	(107)		
– Realised fair value loss		(201)	(153)		
– Unrealised fair value gain		55	46		
Unwinding of discount rate on rehabilitation costs	13.3	(242)	(305)	(3)	(3)
Recovery of unwinding of discount rate on rehabilitation costs		32	38		
Amortisation of transaction costs		(13)	(9)	(13)	(9)
Borrowing costs capitalised[2]	10.1.3	307	374		
Total net financing costs		(621)	(832)	(2 041)	(1 941)
[2] *Borrowing costs capitalisation rate:*		*6.14%*	*7.79%*		

[1] *Refer note 19.2.*
[2] *Borrowing costs capitalisation rate:*

12.1 DEBT continued

12.1.3 Interest-bearing borrowings

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Non-current[1]	9 255	7 448	4 704	2 748
Loan facility[2]	4 061	1 748	4 061	1 748
Project financing[3]	4 551	4 700		
Bonds	643	1 000	643	1 000
Current[4]	1 000	6 163	851	6 053
Loan facility[2]	491	6 050	491	6 050
Project financing[3]	149	110		
Bonds	360	3	360	3
Total interest-bearing borrowings	10 255	13 611	5 555	8 801
Summary by interest-bearing borrowings by period of redemption:				
Less than six months	694	107	629	55
Six to 12 months	306	6 056	222	5 998
Between one and two years	652	1 379	445	1 230
Between two and three years	1 361	1 082	1 089	875
Between three and four years	795	915	446	643
Between four and five years	3 172	349	2 724	
Over five years	3 275	3 723		
Total interest-bearing borrowings	10 255	13 611	5 555	8 801
[1] The non-current portion represents:	*9 255*	*7 448*	*4 704*	*2 748*
– Capital	*9 269*	*7 450*	*4 718*	*2 750*
– Reduced by the amortisation of transaction costs	*(14)*	*(2)*	*(14)*	*(2)*
[2] The loan facility was refinanced during April 2021 which resulted in the extinguishment of the previous loan facility and recognition of the refinanced loan facility.				
[3] Interest-bearing borrowings relating to the Cennergi group.				
[4] The current portion represents:	*1 000*	*6 163*	*851*	*6 053*
– Capital	*955*	*6 109*	*807*	*6 000*
– Interest capitalised	*51*	*60*	*50*	*59*
– Reduced by the amortisation of transaction costs	*(6)*	*(6)*	*(6)*	*(6)*

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Overdraft				
Bank overdraft	1	17	1	17

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

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings

Below is a summary of the salient terms and conditions of the facilities:

	Year	Refinanced loan facility Bullet term loan	Amortised term loan	Revolving credit facility
Aggregate nominal amount (Rm)	2021	2 500	2 025	3 250
Issue date or draw down date		26 April 2021	26 April 2021	26 April 2021
Maturity date		26 April 2026	26 April 2026	26 April 2026
Capital payments		The total outstanding amount is payable on final maturity date	Repay each loan in full in equal consecutive semi-annual instalments on the last business day of April and October of each year	The total outstanding amount is payable on final maturity date
Duration (months)		60	60	60
Secured or unsecured		Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	2021	nil	nil	3 250
Interest				
Interest payment basis		Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly
Interest rate		3-month JIBAR plus a margin of 240 basis points (2.40%)	3-month JIBAR plus a margin of 230 basis points (2.30%)	1-month JIBAR plus a margin of 265 basis points (2.65%)
Effective interest rates for the transaction costs	2021	0.11%	0.17%	N/A

There were no defaults or breaches in terms of the refinanced loan facility during the reporting period.

The following financial covenants in terms of the refinanced loan facility, must be complied with:
- Ratio of consolidated net debt[1] to equity of the group for any measurement period shall be less than 0.8:1
- Ratio of consolidated EBITDA (excluding Cennergi and the project finance companies) to net interest expense of the group for any measurement period shall not be less than 4:1
- Ratio of consolidated net debt[1] to consolidated EBITDA (including dividends received from equity-accounted investments) of the group for any measurement period shall be less than 3:1

[1] *For purposes of financial covenants, net debt is adjusted for project financing, pending litigation and other claims as well as other financial guarantees (refer note 13.4).*

The group has complied with all the above mentioned contractually agreed financial covenants as illustrated below:

At 31 December	2021
Net (cash)/debt: equity (%)	
– Target	<80
– Actual	(1)
EBITDA: interest cover (times)	
– Target	>4
– Actual	35
Net debt: EBITDA (times)	
– Target	<3
– Actual	0

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings continued

	Year	Loan facility Bullet term loan	Amortised term loan	Revolving facility[1]
Aggregate nominal amount (Rm)	2020	3 250	1 750	4 750
Issue date or draw down date		29 July 2016	29 July 2016	29 July 2016
Maturity date		29 July 2021	29 July 2023	29 July 2021
Capital payments		The total outstanding amount is payable on final maturity date	Four consecutive semi-annual instalments commencing on the date occurring 18 months prior to the final maturity date	The total outstanding amount is payable on final maturity date
Duration (months)		60	84	60
Secured or unsecured		Unsecured	Unsecured	Unsecured
Undrawn portion (Rm)	2020	nil	nil	2 000
Interest				
Interest payment basis		Floating rate	Floating rate	Floating rate
Interest payment period		Three months	Three months	Monthly
Interest rate		3-month JIBAR plus a margin of 325 basis points (3.25%)	3-month JIBAR plus a margin of 360 basis points (3.60%)	1-month JIBAR plus a margin of 325 basis points (3.25%)
Effective interest rates for the transaction costs	2020	0.17%	N/A	N/A

[1] *An additional R2 billion accordion facility was made available from 1 July 2020.*

There were no defaults or breaches in terms of the loan facility during the reporting periods.

The following financial covenants in terms of the loan facility, were complied with:

- Ratio of consolidated net debt[1] to equity of the group for any measurement period shall be less than 0.8:1
- Ratio of consolidated EBITDA (excluding non-cash BEE credential costs) to net interest paid of the group for any measurement period shall not be less than 4:1
- Ratio of consolidated net debt[1] to consolidated EBITDA (excluding non-cash BEE credential costs, including dividends received from equity-accounted investments) of the group for any measurement period shall be less than 3:1

[1] *For purposes of financial covenants, net debt is adjusted for project financing, pending litigation and other claims as well as other financial guarantees (refer note 13.4).*

The group had complied with all the above mentioned contractually agreed financial covenants as illustrated below:

At 31 December	2020
Net debt: equity (%)	
– Target	<80
– Actual	14
EBITDA: interest cover (times)	
– Target	>4
– Actual	11
Net debt: EBITDA (times)	
– Target	<3
– Actual	0.7

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings continued

	Year	Project financing: Tsitsikamma SPV loan facility	Project financing: Amakhala SPV loan facilities[1]	Project financing: Amakhala SPV loan facilities[2]
Remaining nominal amount outstanding (Rm)	2021	1 870	2 686	145
	2020	1 918	2 734	158
Debt assumed date		1 April 2020	1 April 2020	1 April 2020
Maturity date		31 December 2030	30 June 2031	30 June 2031
Capital payments		Bi-annual installments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount	Bi-annual installments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount	Bi-annual installments ranging incrementally over the term from 0.18% to 10.65% of the nominal amount
Duration (months)		129	135	135
Secured or unsecured[3]		Secured	Secured	Secured
Undrawn portion (Rm)	2021	121	273	nil
	2020	122	273	nil
Interest				
Interest payment basis		Floating rate[4]	Floating rate[4]	Fixed rate[5]
Interest payment period		Bi-annual	Bi-annual	Bi-annual
Interest rate:				
– Base rate		3-month JIBAR	3-month JIBAR	1) 8% until June 2021 2) 9.46% from July 2021 to 30 June 2026 3) Thereafter 3-month JIBAR
– Margin/all in margin range	2021	266 basis points (2.66%)	361 to 681 basis points (3.61% to 6.81%)	360 to 670 basis points (3.60% to 6.70%)
	2020	264 basis points (2.64%)	359 to 681 basis points (3.59% to 6.81%)	371 to 681 basis points (3.71% to 6.81%)

	2021	2020
[1] Comprising the following loan facilities at the specified all in margin:		
– Senior A and C	*+3.61*	*+3.59*
– Senior IFC	*+3.71*	*+3.71*
– Subordinate A and C	*+6.71*	*+6.69*
– Subordinate IFC	*+6.81*	*+6.81*
These margins are subject to variation.		
[2] Comprising the following loan facilities at the specified all in margin:		
– Senior B	*+3.60*	*+3.71*
– Subordinate B	*+6.70*	*+6.81*

[3] Security held over the assets and share capital of Tsitsikamma SPV and Amakhala SPV respectively.

[4] Interest payments are hedged from a floating rate to a fixed rate. Refer note 16.3.3.2.4.2.

[5] The facility will become a floating rate facility from 30 June 2026.

12.1 DEBT continued

12.1.4 Salient terms and conditions of interest-bearing borrowings continued

There were no defaults or breaches in terms of the project financing during the reporting periods.

The project financing is subject to the following financial covenants which have been achieved for both 2021 and 2020:

Tsitsikamma SPV loan facility

- Historic debt service cover ratio[1] for the calculation period ending on a calculation date is not less than 1.10:1
- Minimum annual forecast debt service cover ratio for the next calculation period is not less than 1.10:1
- Loan life cover ratio[2] is not less than 1.15:1
- Project life cover ratio[3] is not less than 1.25:1

[1] *The ratio of A to B where, A is the aggregate cash flow available for debt service (CFADS) less taxes and B is the aggregate of the finance costs, in each case for the relevant calculation period.*
[2] *The ratio of A to B where, A is the net present value of forecast CFADS from such calculation date to (and including) the final scheduled repayment date, discounted at the discount rate (as produced by the financial model) and B is the aggregate of the facility outstanding on such calculation date.*
[3] *The ratio of A to B where, A is the net present value of forecast CFADS from such calculation date to the end of the tenor of the PPA discounted at the discount rate and B is the aggregate of facility outstanding as at such calculation date.*

Amakhala SPV loan facilities

- Projected senior debt service cover ratio[1] for the immediately following measurement period is not less than 1.10: 1
- Historic senior debt service cover ratio[1] for the immediately preceding measurement period is not less than 1.10: 1
- Senior loan life cover ratio[2], as at each measurement date, is not less than 1.15: 1
- Senior project life cover ratio[2], as at each measurement date, is not less than 1.30: 1
- Projected total debt service cover ratio[3] for the immediately following measurement period is not less than 1.05: 1
- Historic total debt service cover ratio[3] for the immediately preceding measurement period is not less than 1.05: 1
- Total loan life cover ratio[4], as at each measurement date, is not less than 1.10: 1
- Total project life cover ratio[4], as at each measurement date, is not less than 1.20: 1

[1] *The ratio of CFADS to senior debt service for that period.*
[2] *The ratio of the applicable total present value amount, as at that measurement date to the sum of (i) the senior facility outstanding and (ii) all the IFC facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.*
[3] *The ratio of CFADS to total senior debt service for that period.*
[4] *The ratio of the applicable total present value amount, as at that measurement date to total facility outstanding, as calculated and produced by the financial model, as part of the forecast for that measurement date.*

		DMTN Programme (bonds)	
	Year	R357 million senior unsecured floating rate note	R643 million senior unsecured floating rate note
Aggregate nominal amount (Rm)	2021	357	643
	2020	357	643
Issue date or draw down date		13 June 2019	13 June 2019
Maturity date		13 June 2022	13 June 2024
Capital payments		No fixed or determined payments, the total outstanding amount is payable on final maturity date	No fixed or determined payments, the total outstanding amount is payable on final maturity date
Duration (months)		36	60
Secured or unsecured		Unsecured	Unsecured
Interest			
Interest payment basis		Floating rate	Floating rate
Interest payment period		Three months	Three months
Interest rate		3-month JIBAR plus a margin of 165 basis points (1.65%)	3-month JIBAR plus a margin of 189 basis points (1.89%)

12.1 DEBT continued

12.1.5 Net debt

	Group	
	2021 Rm	2020 Rm
Net debt is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(9 725)	(7 954)
Interest-bearing borrowings	(9 255)	(7 448)
Lease liabilities	(470)	(493)
Lease liabilities classified as non-current liabilities held-for-sale		(13)
Current interest-bearing debt	(1 034)	(6 200)
Interest-bearing borrowings	(1 000)	(6 163)
Lease liabilities	(34)	(29)
Lease liabilities classified as non-current liabilities held-for-sale		(8)
Net cash and cash equivalents	7 041	3 187
Cash and cash equivalents	7 042	3 196
Cash and cash equivalents classified as non-current assets held-for-sale		8
Overdraft	(1)	(17)
Total net debt	(3 718)	(10 967)

12.1 DEBT continued

12.1.5 Net debt continued

Analysis of movement in net debt:

	Group			
		Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2019	1 719	(7 452)	(77)	(5 810)
Cash flows	1 468	(1 750)	120	(162)
Operating activities	5 493			5 493
Investing activities	(1 556)			(1 556)
Financing activities	(2 469)	(1 750)	120	(4 099)
– Interest-bearing borrowings raised	1 750	(1 750)		
– Interest-bearing borrowings repaid	(88)		88	
– NCI option exercised	115			115
– Distributions to NCI share option holders	(1)			(1)
– Loan from NCI	69			69
– Lease liabilities paid	(32)		32	
– Dividends paid to owners of the parent	(3 034)			(3 034)
– Shares acquired in the market to settle share-based payments	(270)			(270)
– Dividend paid to NCI BEE Parties	(978)			(978)
Non-cash movements		1 248	(6 243)	(4 995)
Amortisation of transaction costs			(9)	(9)
Interest accrued			114	114
Lease remeasurements and modifications		(7)		(7)
New leases		(24)		(24)
Acquisition of subsidiaries		(4 847)	(222)	(5 069)
– Leases		(48)	(7)	(55)
– Project financing		(4 799)	(215)	(5 014)
Transfers between non-current and current liabilities		6 126	(6 126)	
Net debt at 31 December 2020	3 187	(7 954)	(6 200)	(10 967)
Cash flows	3 819	(2 750)	6 137	7 206
Operating activities	8 432			8 432
Investing activities	13 419			13 419
Financing activities	(18 032)	(2 750)	6 137	(14 645)
– Interest-bearing borrowings raised	4 725	(4 725)		
– Interest-bearing borrowings repaid	(8 076)	1 975	6 101	
– Distributions to NCI share option holders	(7)			(7)
– Dividends paid to NCI of Tsitsikamma SPV	(5)			(5)
– Loan from NCI	(69)			(69)
– Lease liabilities paid	(36)		36	
– Dividends paid to owners of the parent	(9 557)			(9 557)
– Shares acquired in the market to settle share-based payments	(382)			(382)
– Shares repurchased and transaction expenses	(1 506)			(1 506)
– Dividend paid to NCI BEE Parties	(3 119)			(3 119)
Non-cash movements		979	(971)	8
Amortisation of transaction costs		(3)	(10)	(13)
Interest accrued			19	19
Lease remeasurements and modifications		(12)		(12)
Disposal of lease liabilities classified as held-for-sale		7	8	15
New leases		(1)		(1)
Transfers between non-current and current liabilities		988	(988)	
Translation difference on movement in cash and cash equivalents	35			35
Net debt at 31 December 2021	7 041	(9 725)	(1 034)	(3 718)

12.1 DEBT continued

12.1.5 Net debt continued

	Company 2021 Rm	Company 2020 Rm
Net debt is presented by the following items on the statement of financial position:		
Non-current interest-bearing debt	(5 112)	(3 180)
Interest-bearing borrowings	(4 704)	(2 748)
Lease liabilities	(408)	(432)
Current interest-bearing debt	(880)	(6 076)
Interest-bearing borrowings	(851)	(6 053)
Lease liabilities	(30)	(23)
Net cash and cash equivalents	4 867	1 847
Cash and cash equivalents	4 868	1 864
Overdraft	(1)	(17)
Total net debt	(1 125)	(7 409)

	Company	Liabilities arising from financing activities		
	Cash and cash equivalents/ (overdraft) Rm	Non-current interest-bearing debt Rm	Current interest-bearing debt Rm	Total Rm
Net debt at 31 December 2019	673	(7 439)	(67)	(6 833)
Cash flows	1 174	(1 750)	17	(559)
Operating activities[1]	5 315			5 315
Investing activities[1]	(1 363)			(1 363)
Financing activities	(2 778)	(1 750)	17	(4 511)
– Interest-bearing borrowings raised	1 750	(1 750)		
– Lease liabilities paid	(17)		17	
– Dividends paid	(4 337)			(4 337)
– Shares acquired in the market to settle share-based payments	(174)			(174)
Non-cash movements		6 009	(6 026)	(17)
Amortisation of transaction costs			(9)	(9)
Lease remeasurements		(7)		(7)
Transfers between non-current and current liabilities		6 017	(6 017)	
Other		(1)		(1)
Net debt at 31 December 2020 (Restated[1])	1 847	(3 180)	(6 076)	(7 409)
Cash flows	3 020	(2 750)	6 024	6 294
Operating activities	14 417			14 417
Investing activities	7 342			7 342
Financing activities	(18 739)	(2 750)	6 024	(15 465)
– Interest-bearing borrowings raised	4 725	(4 725)		
– Interest-bearing borrowings repaid	(7 975)	1 975	6 000	
– Lease liabilities paid	(24)		24	
– Dividends paid	(13 721)			(13 721)
– Shares repurchased and transaction expenses	(1 506)			(1 506)
– Shares acquired in the market to settle share-based payments	(238)			(238)
Non-cash movements		818	(828)	(10)
Amortisation of transaction costs		(3)	(10)	(13)
Lease remeasurements		(7)		(7)
Transfers between non-current and current liabilities		827	(827)	
Other		1		1
Net debt at 31 December 2021	4 867	(5 112)	(880)	(1 125)

[1] *Refer note 19.2.*

12.1 DEBT continued

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

For the year ended 31 December	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company Restated[1] 2020 Rm
Interest received[1]		217	192	150	113
Finance income[1]	12.1.2	239	215	157	113
Non-cash flow items					
– Interest income accrued not yet received		(18)	(20)	(7)	
– Reimbursement of interest income on environmental rehabilitation fund	12.1.2	4	5		
– Finance lease interest income adjustment	12.1.2	(8)	(8)		
Interest paid		(1 017)	(1 305)	(2 191)	(2 042)
Finance costs	12.1.2	(860)	(1 047)	(2 198)	(2 054)
Non-cash flow items					
– Unwinding of discount rate on rehabilitation costs	13.3	242	305	3	3
– Recovery of unwinding of discount rate on rehabilitation costs		(32)	(38)		
– Amortisation of transaction costs	12.1.2	13	9	13	9
– Borrowing costs capitalised	12.1.2	(307)	(374)		
– Unrealised fair value gain on interest rate swaps designated as cash flow hedges: transfer from OCI	12.1.2	(55)	(46)		
– Finance costs capitalised to loans less finance costs paid and interest accrued not yet paid		(18)	(114)	(9)	
Net financing costs paid		(800)	(1 113)	(2 041)	(1 929)

[1] *Refer note 19.2.*

12.1.7 Financial liabilities composition

At 31 December	Note	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Non-current					
Derivative financial liabilities designated as hedging instruments		406	713		
– Cash flow hedge derivatives: interest rate swaps[1]		406	713		
Financial liabilities at amortised cost			69		
– Loans from NCI[2]			69		
Total non-current financial liabilities	16.3	406	782		
Current					
Financial liabilities at FVPL			49		
– Derivative financial liabilities[3]			49		
Financial liabilities at amortised cost				9 746	16 071
– Non-interest-bearing loans from subsidiaries[4]	17.5			76	8 672
– Treasury facilities with subsidiaries[5]	17.5			9 670	7 399
Total current financial liabilities			49	9 746	16 071
Total financial liabilities	16.3	406	831	9 746	16 071

[1] *Refer note 16.3.3.2.4.2.*
[2] *Loan payable to a BEE minority shareholder of Tsitsikamma SPV. The loan bears interest at a fixed rate of 16.3%, is unsecured and has no fixed terms of repayment, but is subject to cash being available and covenants approvals from the project financiers. The loan was settled in March 2021.*
[3] *Relates to commodity FECs.*
[4] *Loans granted by subsidiary companies which are interest free, unsecured and repayable on demand.*
[5] *Treasury facilities with subsidiary companies have no repayments terms and are repayable on demand. Interest is charged at money market rates.*

12.1 DEBT continued

12.1.8 Other liabilities composition

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Non-current				
Income received in advance	26	27		
Total non-current other liabilities	26	27		
Current				
Termination benefits	82	205	36	63
Leave pay	241	225	34	31
Bonuses	481	271	139	79
VAT	26	31	14	18
Royalties	73			
Carbon tax	2	5		
Current tax payables	418	34	7	
Other	89	90	12	16
Total current other liabilities	1 412	861	242	207
Total other liabilities	1 438	888	242	207

12.2 EQUITY

12.2.1 Accounting policy relating to share capital

Where any company within the Exxaro group of companies purchase Exxaro shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the group's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs and the related income tax effects, is included in equity attributable to the group's equity holders.

The shares are listed on the JSE, with one vote per share, and shareholders are entitled to dividends declared from time to time.

12.2.2 Share capital

At 31 December	Group 2021 Rm	Group 2020 Rm	Company 2021 Rm	Company 2020 Rm
Authorised				
500 000 000 (2020: 500 000 000) ordinary shares of R0.01 each[1]	5	5	5	5
Issued and fully paid				
349 305 092 (2020: 358 706 754) ordinary shares of R0.01 each	3	4	3	4
Share premium	11 224	11 261	11 224	11 261
Treasury shares held by Eyesizwe	(10 242)	(10 242)		
Treasury shares held by Kumba Resources Management Share Trust	(2)	(2)		
Total share capital	983	1 021	11 227	11 265
[1] *Authorised unissued ordinary shares at year end:*			*150 694 908*	*141 293 246*

Treasury shares in issue	Group Number of shares 2021	Group Number of shares 2020
Held by Kumba Resources Management Share Trust	158 218	158 218
Held by Eyesizwe	107 612 026	107 612 026
Treasury shares in issue at end of the year	107 770 244	107 770 244

Exxaro's issued ordinary shares, net of treasury shares were 241 534 848 on 31 December 2021 (2020: 250 936 510).

Refer to the notice of the AGM in the summarised group annual financial statements for the year ended 31 December 2021 and notice of the AGM for resolutions pertaining to the unissued ordinary shares under the control of the directors until the forthcoming AGM.

Exxaro has no unlisted securities.

12.2.3 Share repurchases

During 2021, Exxaro embarked on and concluded a share repurchase programme of R1.5 billion. The total number of ordinary shares repurchased was 9 401 662 ordinary shares, representing 2.62% of Exxaro's issued ordinary shares prior to the share repurchase programme. The ordinary shares were repurchased at an average price of R159.55 per share.

Exxaro had no share repurchase transactions during 2020.

CHAPTER 13:
Provisions and contingencies

CHAPTER 13:
Provisions and contingencies

13.1 ACCOUNTING POLICIES RELATING TO PROVISIONS AND CONTINGENCIES

Provision is made for costs relating to environmental rehabilitation consisting of activities relating to restoration, decommissioning as well as costs of residual impact at a rehabilitated mine after final closure, restoration and decommissioning have been completed. Estimates are based on unscheduled closure costs that are reviewed internally every six months and by external consultants every three years or earlier, should the level of risk require such external review. Where provision is made for dismantling of assets and site restoration costs, an asset of similar initial value is raised and depreciated in accordance with the accounting policy for property, plant and equipment.

Contributions are made to the environmental rehabilitation funds to provide for funding of costs relating to the residual impact at each mine after closure, rehabilitation and decommissioning have been completed. The environmental rehabilitation funds are consolidated.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Environmental rehabilitation

Estimates are made in determining the present liability of environmental rehabilitation provisions consisting of a restoration provision, decommissioning provision and a residual impact provision. Each of these provisions are based on an estimate of unscheduled closure costs on reporting date, inflation and discount rates relevant to the calculation and the expected date of closure of mining activities in determining the present value of the total environmental rehabilitation liability.

On 20 November 2015, the FPR:2015 was promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and NEMA. After promulgation of the FPR:2015, the DEA met with various stakeholders who sought clarification on a number of issues. This resulted in amended regulations pertaining to the financial provisioning for prospecting, exploration, mining or production operations which were issued on 10 November 2017.

On 21 September 2018, the Minister of Environmental Affairs for South Africa amended the FPR:2015 by extending the transitional period from 19 February 2019 to 19 February 2020. All holders of mining or exploration rights or permits therefore would have had to comply with the financial provisioning requirements in terms of the MPRDA until 20 February 2020 when the FPR:2015 would have come into effect. However, the FPR:2015 transitional arrangements have been amended again with the transitional period being extended for the fourth time to 19 June 2022. A third draft of financial provisioning regulations has been published for comments.

The obligation to ensure that water is treated according to statutory requirements is specifically included in the scope of both internal and external reviews of closure costs. Costs relating to water treatment which are expected within a 20-year window period from date of review, are quantified and included in the environmental rehabilitation provisions for relevant mines. The majority of the costs relating to water treatment are included in the provision for residual impact. Where necessary, the costs associated with constructing a water treatment plant have also been included.

Discounting of the costs relating to unscheduled closure on reporting date is calculated over the expected LoM of each mine. The LoM is based on remaining reserves at each mine as well as the level of complexity to perform mining activities at these reserves.

The assumption that post-closure rehabilitation will take place over a period of five years resulted in discounting of the costs included in the residual impact provision to be calculated over the expected remaining LoM and an additional five years for post-closure activities to be completed.

Other site closure costs

The provision includes estimates for plant and facility closures, dismantling costs and employee termination costs, in terms of announced restructuring plans. Provision is made on a piecemeal basis only for those restructuring obligations supported by a formally approved plan.

The provision includes social and labour costs for mines closing in the near future in terms of approved social and labour plans for these sites.

13.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES continued

Key assumptions

	At 31 December 2021 %	At 31 December 2020 %
PPI	4.5	4.5 to 5.0
Risk-free discount rate		
– Period of discounting: 1 to 5 years	7.57 to 8.04	7.23 to 7.70
– Period of discounting: 6 to 15 years	9.80 to 10.25	10.23 to 10.31
– Period of discounting: 16 to 30 years	10.76 to 10.86	11.43 to 11.62

Sensitivities

Sensitivities calculated on changes in the discount rate, based on unscheduled closure cost on 31 December each year, are as follows:

	At 31 December 2021 Rm	At 31 December 2020 Rm
Increase/(decrease) in net operating profit:		
Resulting from a 1% increase in discount rate	205	231
Resulting from a 1% decrease in discount rate	(230)	(253)
(Increase)/decrease in environmental rehabilitation provisions:		
Resulting from a 1% increase in discount rate	(315)	(317)
Resulting from a 1% decrease in discount rate	355	352

13.3 PROVISIONS

		Group					
		Environmental rehabilitation					
	Note	Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure costs Rm	Other[1] Rm	Total Rm
At 31 December 2021							
At beginning of the year		1 420	295	323	79	14	2 131
(Reversal)/charge to operating expenses	6.1.3	(46)	(11)	63	(1)	(1)	4
– Additional provisions		122	10	109			241
– Unused amounts reversed		(168)	(21)	(46)	(1)	(1)	(237)
Unwinding of discount rate on rehabilitation costs	12.1.2	161	36	44		1	242
Provisions capitalised to property, plant and equipment	10.1.3		32				32
Utilised during the year		(14)		(6)	(24)	(4)	(48)
Reclassification to non-current liabilities held-for-sale		(42)	(2)	(17)	2		(59)
Total provisions at end of the year		1 479	350	407	56	10	2 302
Non-current		1 408	350	398	43	2	2 201
Current		71		9	13	8	101

[1] *Relates to a constructive obligation created with certain BEE minorities within the Cennergi group to receive distributions in proportion to their percentage interest prior to their in-substance share options being exercised.*

13.3 PROVISIONS continued

		Group					
		Environmental rehabilitation					
	Note	Restoration Rm	Decommis-sioning Rm	Residual impact Rm	Other site closure costs Rm	Other[1] Rm	Total Rm
At 31 December 2020							
At beginning of the year		2 432	544	1 345	83		4 404
(Reversal)/charge to operating expenses	6.1.3	(60)	(85)	(986)	14	17	(1 100)
– Additional provisions		316	14	44	16	17	407
– Unused amounts reversed[2]		(376)	(99)	(1 030)	(2)		(1 507)
Unwinding of discount rate on rehabilitation costs	12.1.2	169	44	92			305
Provisions capitalised to property, plant and equipment	10.1.3		(88)				(88)
Utilised during the year		(18)		(3)	(16)	(3)	(40)
Reclassification to non-current liabilities held-for-sale		(467)	(52)	576	(2)		55
Acquisition of subsidiaries		6	29	4			39
Transfer of operation	8.3	(642)	(97)	(705)			(1 444)
Total provisions at end of the year		1 420	295	323	79	14	2 131
Non-current		1 284	295	300	60	7	1 946
Current		136		23	19	7	185

[1] *Relates to a constructive obligation created with certain BEE minorities within the Cennergi group to receive distributions in proportion to their percentage interest prior to their in-substance share options being exercised.*
[2] *The residual impact includes an adjustment to the EMJV environmental rehabilitation provision, amounting to R818 million.*

		Company	
		Environmental rehabilitation	
	Note	Restoration Rm	Total Rm
At 31 December 2021			
At beginning of the year		37	37
Reversal to operating expenses	6.1.3	(1)	(1)
– Unused amounts reversed		(1)	(1)
Unwinding of discount rate on rehabilitation costs	12.1.2	3	3
Total provisions at end of the year		39	39
Non-current		39	39

		Company	
		Environmental rehabilitation	
	Note	Restoration Rm	Total Rm
At 31 December 2020			
At beginning of the year		37	37
Reversal to operating expenses	6.1.3	(3)	(3)
– Unused amounts reversed		(3)	(3)
Unwinding of discount rate on rehabilitation costs	12.1.2	3	3
Total provisions at end of the year		37	37
Non-current		37	37

13.3 PROVISIONS continued

Funding

The FPR:2015 contains funding requirements in the form of financial guarantees as well as trust funds. Exxaro has financial guarantees per mine, which are ceded to the DMRE, as well as environmental trust funds.

		Group	
At 31 December	Note	2021 Rm	2020 Rm
Estimated unscheduled restoration and decommissioning closure costs		(6 404)	(6 058)
Estimated unscheduled post-closure residual impact costs		(1 177)	(952)
Total environmental provisions		(2 236)	(2 038)
Present value of unscheduled restoration and decommissioning costs discounted over LoM		(1 829)	(1 715)
Present value of unscheduled post-closure residual impact costs discounted over LoM and five years of rehabilitation		(407)	(323)
Environmental rehabilitation funds in trust[1]	10.3.2	2 267	1 337
Financial guarantees ceded to the DMRE[2]	13.4.1	3 606	3 696
Current funding excess		3 637	2 995

[1] *2020: Excludes an amount of R296 million which is being held in trust on behalf of Arnot Opco until they have established an environmental rehabilitation trust fund of their own that's approved by the DMRE. During 2021, the amount held in trust was transferred to Arnot Opco.*
[2] *2020: Excludes an amount of R543 million which relates to the operational guarantees for the ECC operation that was reclassified to non-current assets held-for-sale.*

13.4 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

13.4.1 Contingent liabilities

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Operational guarantees[1,2]	3 834	4 531	206	233
– Financial guarantees ceded to the DMRE	3 606	4 239		
– Other financial guarantees	228	292	206	233
Total contingent liabilities	3 834	4 531	206	233

[1] *Include guarantees to banks and other institutions in the normal course of business from which it is anticipated that no material liabilities will arise.*
[2] *2021: No longer includes R579 million which relates to the ECC operation guarantees which were cancelled upon the divestment.*

The timing and occurrence of any possible outflows of the contingent liabilities above are uncertain.

Share of equity-accounted investments' contingent liabilities

	Group	
At 31 December	2021 Rm	2020 Rm
Share of contingent liabilities of equity-accounted investments	1 564	1 535

13.4.2 Contingent assets

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Back-to-back guarantees	134	134		
Other[1]	75		75	
Total contingent assets	209	134	75	

[1] *Guarantees issued to Exxaro which arose on the divestment of the ECC operation in terms of the SPA.*

The timing and occurrence of any possible inflows of the contingent assets are uncertain.

CHAPTER 14:
People

CHAPTER 14:
People

14.1 ACCOUNTING POLICIES RELATING TO EMPLOYEE BENEFITS

14.1.1 Retirement employment benefits

Defined contribution plans

Defined contribution retirement funds are provided for the benefit of employees, the assets of which are held in separate funds. These funds are funded by contributions from employees and the employer, taking account of the recommendations of independent actuaries. Employer contributions to the defined contribution funds are recognised in profit or loss in the year to which it relates.

Guarantees are not provided in respect of returns in the defined contribution funds.

Defined benefit obligations

A retirement medical contribution obligation exists for certain in-service and retired employees who are members of accredited medical aid funds. This benefit is no longer offered to employees. The liability is determined using the projected unit credit method. Remeasurements arising from experience adjustments and changes in actuarial assumptions are recognised immediately in OCI. Remeasurements recognised in OCI will not be reclassified to profit or loss. Net interest expense and other expenses related to the retirement medical contribution obligation are recognised in profit or loss.

14.1.2 Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, are 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 reporting date, based on current total cost to company.

14.1.3 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.

Termination benefits are recognised when a commitment has been demonstrated 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 which has been accepted by an employee. If the benefits fall due more than 12 months after the reporting date, they are discounted to present value.

14.1.4 Equity compensation benefits

Senior management, including executive directors and eligible employees, participate in the LTIP and DBP incentive schemes.

The LTIP and DBP are treated as equity-settled share-based payment schemes. The fair value is expensed over the vesting period of the instrument with a corresponding increase in equity. The fair value of these schemes are determined at grant date and subsequently reviewed at each reporting period only for changes in non-market performance conditions and employee attrition rates applicable to each scheme.

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries and is eliminated on consolidation for group reporting purposes.

14.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

IFRS 2 Share-Based Payment

In applying IFRS 2 *Share-Based Payment*, management has made certain judgements in respect of the fair value option pricing models to be used in determining the various share-based payment arrangements in respect of employees, as well as the variable elements used in these models.

For share-based payments with employees, estimates are made in determining the fair value of equity instruments granted. Assumptions are used in the valuation models and include assumptions regarding future dividend yield, risk-free rate, expected employee attrition rate, expected share volatility and expected option life and TSR vesting condition (refer note 14.3.4).

IAS 19 Employee Benefits

In applying IAS 19 *Employee Benefits*, management is required to make judgements when determining the classification of each scheme, such judgements include the identification as to the nature of benefits provided by each scheme.

For defined benefit schemes, management is required to make estimates and assumptions about the discount rate, future remuneration changes, employee attrition rates, administration costs, changes in benefits, medical cost trends, inflation rates, exchange rates and life expectancy. In making these estimates and assumptions, management considers advice provided by external advisers, such as actuaries.

14.3 EMPLOYEE BENEFITS

14.3.1 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 defined contribution retirement funds were:

- Exxaro Pension and Provident Fund
- Iscor Employees' Umbrella Provident Fund
- Mine Workers Provident Fund
- Sentinel Retirement Fund.

Bargaining unit employees pay a contribution of 8% with the employer's contribution of 15% to the above funds being expensed as incurred.

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

All funds are registered in South Africa and are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Employer contributions to each fund were as follows:

	Group	
	2021 Rm	2020 Rm
Exxaro Pension and Provident Fund	187	157
Iscor Employees' Umbrella Provident Fund		12
Mine Workers Provident Fund	56	52
Sentinel Retirement Fund	57	64
Other funds	7	12
Total employer contributions	307	297

	Company	
	2021 Rm	2020 Rm
Exxaro Pension and Provident Fund	40	35
Sentinel Retirement Fund	1	3
Total employer contributions	41	38

14.3.2 Medical aid

Contributions are made to defined contribution medical aid schemes for the benefit of permanent employees and their dependants who choose to belong to one of a number of employer accredited schemes. The contributions charged to profit or loss amount to R161 million (2020: R157 million).

14.3.3 Short-term incentives

The following schemes based on individuals, business unit, commodity and group-level performance are in place:

- Individual performance reward
- A two-tier performance incentive, namely:
  - On-target business unit incentive (first tier)
  - Commodity business and group improvement incentive (second tier)

Individual performance reward

A short-term incentive scheme focused on the individual is used to augment the performance management process and retention strategy across junior to senior management levels of employment.

The two-tier performance incentive

First tier

The first tier is a line-of-sight incentive based on achieving 100% of a combination of the business unit's net operating profit and production targets and is currently equal to 8.33% of annual gross remuneration for all full-time employees of every business unit, commodity, services and corporate office department.

Second tier

The second tier is based on exceeding a combination of budgeted consolidated net operating profit and production targets by an improvement percentage at commodity business unit and group level. The second tier is profit-based and 30% of gains above budget are shared with employees.

14.3 EMPLOYEE BENEFITS continued

14.3.4 Equity compensation benefits

Equity compensation benefits are provided to selected employees through the following share-based payment schemes:

LTIP

An LTIP is a conditional award of Exxaro shares offered to qualifying senior employees. The shares vest after three years subject to certain performance conditions being met. The extent to which the performance conditions are met governs the number of shares that vest. The LTIP is an equity-settled share-based payment scheme.

Participants in the 2021 and 2020 LTIP grant obtained the right (provided performance conditions are met) to receive a number of Exxaro shares. The vesting of the award is based on:

- 33.33%: ROCE of the group and is calculated for a minimum and maximum performance condition
- 33.33%: The TSR of the group and is calculated for a minimum and maximum performance condition
- 33.34%: The achievement of ESG targets based on the FTSE Russel Index.

Performance between these targets will result in proportional vesting which will be calculated using a linear sliding scale between the minimum and maximum performance conditions. Grants have a vesting period of three years at which the performance conditions are calculated.

DBP

The aim of the DBP is to encourage executive directors and senior management to sacrifice a part of their bonuses for the purpose of acquiring shares in the company in exchange for an upliftment in the number of shares received. Participants may sacrifice a percentage of their (post-tax) bonus in exchange for Exxaro shares at the ruling market price. The pledged shares are then held in trust for a three-year period, thus until the vesting date of the matching award. At vesting date, the company will make an additional award of shares by matching the shareholding on a one-for-one basis (matching award). Participants will consequently become unconditionally entitled to both the original pledged shares as well as the matching award of shares.

A participant may elect to dispose of and withdraw the pledged shares from the scheme at any stage. However, if the pledged shares are withdrawn before the expiry of the pledge period, the participant forfeits the matching award. The DBP is an equity-settled share-based payment scheme.

Details of the schemes:

		LTIP		DBP	
Number of instruments		**2021 '000**	**2020 '000**	**2021 '000**	**2020 '000**
Outstanding at beginning of the year		9 112	8 302	215	213
Issued during the year[1]		2 688	3 900	63	75
Exercised during the year		(2 080)	(2 651)	(87)	(70)
Lapsed/cancelled during the year		(1 344)	(439)		(3)
Outstanding at end of the year		8 376	9 112	191	215
Terms of outstanding instruments at end of the year	Expiry date				
	2021		3 009		84
	2022	2 265	2 276	58	56
	2023	3 791	3 827	76	75
	2024	2 320		57	
		8 376	9 112	191	215
Total value of shares outstanding (Rm)		1 280	1 269	29	30

[1] *Included in 2021 is a 3.24% grant top-up of instruments relating to the 2018, 2019 and 2020 schemes. The top-up grants were issued with the same terms and performance conditions as the respective original grants.*

14.3 EMPLOYEE BENEFITS continued

14.3.4 Equity compensation benefits continued

Fair value of equity compensation instruments

In determining the fair value of services received as consideration for equity instruments, measurement is referenced to the fair value of the equity instrument granted.

During the current year, four new DBPs and one new LTIP have been granted.

The conditional matching awards granted in terms of the DBP are the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the DBP is equal to the grant date share price less the present value of the future dividends expected to be granted over the term of the scheme, multiplied by the pledged shares in trust.

The value of the LTIP is the economic equivalent of granting an Exxaro share at no consideration, but without dividend rights for the period from the grant date to vesting date. Therefore, the value of the LTIP is equal to the grant date share price, less the present value of the future dividends expected to be granted over the term of the scheme. In determining the fair value, a Monte Carlo simulation model has been used to take into account the market vesting condition (TSR target). The non-market vesting conditions (HEPS, ROCE and ESG targets) are taken into account when determining the number of options expected to vest.

The key assumptions are summarised as follows:

	2021	2020
Weighted average fair value for grants during the year (R):		
LTIP	98.02	68.71
DBP	95.74	74.89
Inputs to the valuation models for:		
LTIP		
– Share price at valuation date (R)	175.47	100.30 to 136.97
– Weighted average option life (years)	3	3
– Dividend yield (%)	6.77 to 9.45	4.69 to 7.36
– Risk-free interest rate (%)	4.98	4.18 to 5.73
DBP		
– Share price at valuation date (R)	173.50 to 184.51	98.99 to 137.18
– Weighted average option life (years)	3	3
– Dividend yield (%)	6.13 to 15.16	4.68 to 7.46
– Risk-free interest rate (%)	4.96 to 5.19	4.21 to 5.65

14.4 RETIREMENT EMPLOYEE OBLIGATIONS

Following the merger with Eyesizwe Proprietary Limited in November 2006 and the successful creation of Exxaro, the retirement healthcare benefit which was provided to a group of continuation and in-service members on the Witbank Coal Medical Aid Scheme was honoured. During 2017, Exxaro Coal Mpumalanga Proprietary Limited withdrew from the Witbank Coal Medical Aid Scheme and the members were moved to the Discovery Health Medical Scheme and Bonitas Medical Aid Scheme. This benefit, which is no longer offered, applied to certain employees previously employed by Eyesizwe Proprietary Limited or Ingwe Coal and comprises a subsidy of contributions.

Exxaro Coal Mpumalanga Proprietary Limited's contribution to the retirement healthcare benefit of employees for the year ended 31 December 2021 amounts to R8 million (2020: R8 million).

The obligation represents a present value amount, which is actuarially valued every two years. Any remeasurements are recognised in OCI.

The movement in the net defined benefit medical obligation over the year is summarised as follows:

		Group	
At 31 December	Note	2021 Rm	2020 Rm
At beginning of the year		147	181
Charge to operating expenses		12	4
– Current and past service costs		2	(5)
– Interest expense		19	18
– Expected employer benefit payments		(9)	(9)
Remeasurements[1]			(30)
Transfer of operation	8.3		(7)
Reclassification to non-current liabilities held-for-sale			(1)
At end of the year		159	147
The defined benefit medical obligation is composed by country as follows:			
– RSA		159	147
Present value of unfunded obligations		159	147
The actuarial assumptions were as follows:			
Discount rate (%)		13.4	13.4
Healthcare cost inflation (%)		9.8	9.8
Expected retirement age (years)		60	60

[1] *Tax on remeasurements amounts to nil (2020: R9 million).*

1 2 3 4 5 6 7 8 9 10 11 12 13 Chapter 14 15 16 17 18 19 20

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

14.5.1 Remuneration policy

The remuneration and nomination committee has a defined mandate from the board of directors aimed at:

- Ensuring that the chairman, directors and senior executives are fairly rewarded for their individual contributions to the group's overall performance
- Ensuring that the remuneration strategies and packages, including the incentive 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 group

14.5.2 Summary of remuneration

	NCOE/guaranteed remuneration plus circumstantial			Short term incentives	Long term incentives
2021	Basic salary R	Benefits and allowances[1] R	Retirement fund contributions R	Performance bonuses[2] R	Gains on management share schemes R
Executive directors					
MDM Mgojo	6 947 131	291 500	662 456	4 079 336	22 856 637
Dr. N Tsengwa[6]	5 366 990	211 657	449 202	2 840 928	7 241 197
PA Koppeschaar	5 235 563	301 917	460 447	3 018 760	9 441 112
Total executive directors' remuneration	17 549 684	805 074	1 572 105	9 939 024	39 538 946
Prescribed officers					
V Balgobind	3 204 409	60 225	244 952	1 520 708	4 526 565
AS De Angelis	2 986 668	60 442	216 365	1 414 066	4 214 814
JG Meyer	3 624 697	329 399	361 866	1 870 110	4 862 538
MI Mthenjane	3 667 531	93 883	306 820	1 762 768	5 324 051
AT Ndoni[7]	415 740		30 118	81 726	
R Tatnall[8]	4 548 281	1 108 848			
SE van Loggerenberg[9]	292 895	11 180	18 900		
M Veti	3 664 113		348 495	1 738 666	5 308 035
Total prescribed officers' remuneration	22 404 334	1 663 977	1 527 516	8 388 044	24 236 003

2021	Fees for services R	Fees for services rendered to subsidiaries R	Total R
Non-executive directors			
GJ Fraser-Moleketi	1 348 895		1 348 895
IN Malevu[10]	264 307		264 307
L Mbatha	667 102	61 184	728 286
VZ Mntambo	694 100	108 012	802 112
MJ Moffett[11]	306 340	188 100	494 440
LI Mophatlane	923 897	46 234	970 131
MLB Msimang[12]	438 671		438 671
EJ Myburgh	1 217 809		1 217 809
V Nkonyeni	991 677	236 500	1 228 177
CJ Nxumalo[13]	616 741		616 741
MG Qhena (chairman)[14]	1 267 377		1 267 377
J van Rooyen[15]	878 214		878 214
PCCH Snyders	1 012 324		1 012 324
Total non-executive directors' remuneration	10 627 454	640 030	11 267 484

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board of directors.*
[3] *Includes long service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments and retention allowances.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Appointed to the board of directors on 16 March 2021.*
[7] *Appointed on 1 November 2021.*
[8] *Appointed on 10 March 2021, in terms of a fixed term employment contract.*
[9] *Resigned on 18 February 2021.*
[10] *Appointed on 22 June 2021.*
[11] *Resigned on 11 May 2021.*
[12] *Appointed on 15 March 2021.*
[13] *Appointed on 1 February 2021.*
[14] *Appointed on 19 April 2021.*
[15] *Retired on 27 May 2021.*

Retirement amounts relate to defined contribution retirement funds.

Other						
Exit payment paid R	Recognition[3] R	Other[4] R	Total remuneration R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
	49 760	130 722	35 017 542	13 350 626	(22 856 637)	25 511 531
	5 760		16 115 734	5 592 894	(7 241 197)	14 467 431
	7 760		18 465 559	6 131 435	(9 441 112)	15 155 822
	63 280	130 722	69 598 835	25 074 955	(39 538 946)	55 134 844
	5 760	16 336	9 578 955	2 617 682	(4 526 565)	7 670 072
	5 760		8 898 115	1 846 234	(4 214 814)	6 529 515
	5 760		11 054 370	3 057 715	(4 862 538)	9 249 517
	9 460	44 974	11 209 487	2 807 310	(5 324 051)	8 692 746
		700 000	1 227 584	63 025		1 290 609
			5 657 129			5 657 129
2 437 970		37 970	2 798 915	(850 361)		1 948 554
	5 760		11 065 069	2 998 662	(5 308 035)	8 755 696
2 437 970	32 500	799 280	61 489 624	12 540 267	(24 236 003)	49 793 888

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.2 Summary of remuneration continued

	NCOE/guaranteed remuneration plus circumstantial			Short term incentives	Long term incentives
2020	**Basic salary R**	**Benefits and allowances[1] R**	**Retirement fund contributions R**	**Performance bonuses[2] R**	**Gains on management share schemes R**
Executive directors					
MDM Mgojo	6 627 730	266 787	639 299	3 415 080	13 751 712
PA Koppeschaar	4 988 727	262 488	467 902	2 306 522	5 896 443
Total executive directors' remuneration	11 616 457	529 275	1 107 201	5 721 602	19 648 155
Prescribed officers					
V Balgobind	3 027 366	118 379	274 075	1 054 332	2 991 185
AS De Angelis[6]	2 675 154	38 529	201 417	945 100	
AW Diedericks	3 572 940	140 460	344 328	1 352 442	4 128 484
JG Meyer	3 523 117	325 578	356 873	1 401 716	4 129 899
MI Mthenjane	3 570 108	91 481	302 587	1 321 260	3 521 955
Dr. N Tsengwa	4 252 808	174 755	360 888	1 931 182	5 154 544
SE van Loggerenberg[7]	2 045 234	78 345	139 721	595 928	1 474 560
M Veti	3 557 153	9 132	343 687	1 303 196	3 431 710
Total prescribed officers' remuneration	26 223 880	976 659	2 323 576	9 905 156	24 832 337

2020	Fees for services R	Benefits and allowances R	Total R
Non-executive directors			
GJ Fraser-Moleketi	1 162 496		1 162 496
L Mbatha	582 337		582 337
VZ Mntambo	728 933		728 933
MJ Moffett	933 861		933 861
LI Mophatlane	819 174		819 174
EJ Myburgh	1 229 321		1 229 321
V Nkonyeni	959 545	2 059	961 604
J van Rooyen (chairman)	2 128 588		2 128 588
A Sing[8]	294 136		294 136
PCCH Snyders	879 159	1 067	880 226
Total non-executive directors' remuneration	9 717 550	3 126	9 720 676

[1] *Includes leave days purchased as well as travel and acting allowances.*
[2] *All incentive schemes are performance related and were approved by the board of directors.*
[3] *Includes long service awards, zero-fatality and LTIFR rewards.*
[4] *Includes leave encashments.*
[5] *Amount recognised for share-based payment expenses, in terms of IFRS 2, in respect of equity-settled share-based payment schemes for services rendered during the year. The employee will only be entitled to the options once all vesting conditions have been met.*
[6] *Appointed on 1 April 2020.*
[7] *Resigned on 18 February 2021.*
[8] *Retired on 28 May 2020.*

Retirement amounts relate to defined contribution retirement funds.

Other						
Recognition[3] R	Other[4] R	Total remuneration R	Exit payment accrual (TVP) R	Share-based payment expense[5] R	Gains on management share schemes R	Total remuneration expense R
2 500	139 086	24 842 194		13 313 854	(13 751 712)	24 404 336
2 500		13 924 582		6 074 786	(5 896 443)	14 102 925
5 000	139 086	38 766 776		19 388 640	(19 648 155)	38 507 261
2 500	11 838	7 479 675		2 695 734	(2 991 185)	7 184 224
2 500		3 862 700		1 679 588		5 542 288
2 500		9 541 154	390 197	3 401 050	(4 128 484)	9 203 917
2 500		9 739 683		3 152 860	(4 129 899)	8 762 644
2 500		8 809 891		2 962 797	(3 521 955)	8 250 733
2 500		11 876 677		4 637 600	(5 154 544)	11 359 733
2 500		4 336 288		1 337 987	(1 474 560)	4 199 715
2 500		8 647 378		3 023 446	(3 431 710)	8 239 114
20 000	11 838	64 293 446	390 197	22 891 062	(24 832 337)	62 742 368

14.5.3 Interests in Exxaro shares

(i) Number of shares

	2021		2020	
Directors at 31 December	Direct	Indirect	Direct	Indirect[1]
Beneficial interests				
PA Koppeschaar	63 781	11 415	63 091	11 701
MDM Mgojo	112 496	4 705 162	332 385	5 478 581
VZ Mntambo		4 448 839		4 448 839
Dr N Tsengwa	78 710	6 491		

[1] *2020 has been re-presented to include the DBP pledge shares which were inadvertently disclosed as non-beneficial indirect interests.*

(ii) Percentages (direct and indirect)

Directors at 31 December	2021 %	2020 %
PA Koppeschaar	0.02	0.02
MDM Mgojo	1.38	1.62
VZ Mntambo	1.27	1.24
Dr N Tsengwa	0.02	

There have been no changes in the directors' interests in Exxaro shares between the end of the financial year 2021 and the date on which the annual financial statements were approved.

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards

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

Management share scheme – LTIP

2021	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Modification during the year Number	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors										
MDM Mgojo		01/04/2021				107 989	53 985	177.96	19 217 722	15/04/2021
		01/04/2021			5 248	3 499	1 749	174.39	610 191	23/09/2021
	115 569	01/04/2022	17 667 033	17 667 033	3 627					
	181 029	01/04/2023	27 673 903	27 673 903	5 682					
	106 300	01/04/2024	16 250 081	16 250 081						
	402 898		61 591 017	61 591 017	14 557	111 488	55 734		19 827 913	
Dr. N Tsengwa		01/04/2021				39 177	19 585	177.96	6 971 939	15/04/2021
		01/04/2021			1 904	1 270	634	174.39	221 475	23/09/2021
	42 320	01/04/2022	6 469 458	6 469 458	1 329					
	66 289	01/04/2023	10 133 599	10 133 599	2 081					
	80 115	01/04/2024	12 247 180	12 247 180						
	188 724		28 850 237	28 850 237	5 314	40 447	20 219		7 193 414	
PA Koppeschaar		01/04/2021				50 701	25 346	177.96	9 022 750	15/04/2021
		01/04/2021			2 464	1 643	821	174.39	286 523	23/09/2021
	54 310	01/04/2022	8 302 370	8 302 370	1 705					
	85 072	01/04/2023	13 004 957	13 004 957	2 670					
	49 954	01/04/2024	7 636 468	7 636 468						
	189 336		28 943 795	28 943 795	6 839	52 344	26 167		9 309 273	
Prescribed officers										
V Balgobind		01/04/2021				21 434	10 714	177.96	3 814 395	15/04/2021
		01/04/2021			1 042	695	347	174.39	121 201	23/09/2021
	22 938	01/04/2022	3 506 532	3 506 532	720					
	35 930	01/04/2023	5 492 619	5 492 619	1 128					
	20 503	01/04/2024	3 134 294	3 134 294						
	79 371		12 133 445	12 133 445	2 890	22 129	11 061		3 935 596	
AS de Angelis		01/04/2021				9 954	4 976	177.96	1 771 414	15/04/2021
		01/04/2021				13 000	1 084	177.96	2 313 480	15/04/2021
		01/04/2021			457	422	35	174.39	73 593	23/09/2021
		01/04/2021			484	323	161	174.39	56 328	23/09/2021
	10 702	01/04/2022	1 636 015	1 636 015	336					
	33 410	01/04/2023	5 107 387	5 107 387	1 049					
	19 066	01/04/2024	2 914 619	2 914 619						
	63 178		9 658 021	9 658 021	2 326	23 699	6 256		4 214 815	
JG Meyer		01/04/2021				26 482	13 238	177.96	4 712 737	15/04/2021
		01/04/2021			1 287	859	428	174.39	149 801	23/09/2021
	28 209	01/04/2022	4 312 310	4 312 310	886					
	44 185	01/04/2023	6 754 561	6 754 561	1 387					
	25 214	01/04/2024	3 854 464	3 854 464						
	97 608		14 921 335	14 921 335	3 560	27 341	13 666		4 862 538	
MI Mthenjane		01/04/2021				25 318	12 657	177.96	4 505 591	15/04/2021
		01/04/2021			1 231	821	410	174.39	143 174	23/09/2021
	26 589	01/04/2022	4 064 660	4 064 660	835					
	41 649	01/04/2023	6 366 883	6 366 883	1 308					
	23 767	01/04/2024	3 633 261	3 633 261						
	92 005		14 064 804	14 064 804	3 374	26 139	13 067		4 648 765	
AT Ndoni	12 165	01/11/2024	1 859 664	1 859 664						
	12 165		1 859 664	1 859 664						
M Veti		01/04/2021				24 972	12 483	177.96	4 444 017	15/04/2021
		01/04/2021			1 214	810	404	174.39	141 256	23/09/2021
	26 226	01/04/2022	4 009 169	4 009 169	824					
	41 080	01/04/2023	6 279 900	6 279 900	1 290					
	23 442	01/04/2024	3 583 579	3 583 579						
	90 748		13 872 648	13 872 648	3 328	25 782	12 887		4 585 273	

[1] *Option strike price is nil.*
[2] *Based on a share price of R152.87 which prevailed on 31 December 2021.*
[3] *Shares forfeited due to performance conditions not being fully met.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – LTIP continued

2020	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Options exercised during the year Number	Shares forfeited[3] Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		01/04/2020			136 871	11 418	99.25	13 584 447	01/04/2020
	161 974	01/04/2021	22 498 189	22 498 189					
	111 942	01/04/2022	15 548 744	15 548 744					
	175 347	01/04/2023	24 355 698	24 355 698					
	449 263		62 402 631	62 402 631	136 871	11 418		13 584 447	
PA Koppeschaar		01/04/2020			59 410	4 956	99.25	5 896 443	01/04/2020
	76 047	01/04/2021	10 562 928	10 562 928					
	52 605	01/04/2022	7 306 835	7 306 835					
	82 402	01/04/2023	11 445 638	11 445 638					
	211 054		29 315 401	29 315 401	59 410	4 956		5 896 443	
Prescribed officers									
V Balgobind		01/04/2020			26 744	2 230	99.25	2 654 342	01/04/2020
	32 148	01/04/2021	4 465 357	4 465 357					
	22 218	01/04/2022	3 086 080	3 086 080					
	34 802	01/04/2023	4 833 998	4 833 998					
	89 168		12 385 435	12 385 435	26 744	2 230		2 654 342	
AS de Angelis	14 930	01/04/2021	2 073 777	2 073 777					
	14 084	01/04/2021	1 956 268	1 956 268					
	10 366	01/04/2022	1 439 837	1 439 837					
	32 361	01/04/2023	4 494 943	4 494 943					
	71 741		9 964 825	9 964 825					
AW Diedericks		01/04/2020			33 804	2 819	99.25	3 355 047	01/04/2020
	38 687	01/04/2021	5 373 624	5 373 624					
	26 362	01/04/2022	3 661 682	3 661 682					
	41 293	01/04/2023	5 735 598	5 735 598					
	106 342		14 770 904	14 770 904	33 804	2 819		3 355 047	
JG Meyer		01/04/2020			33 804	2 819	99.25	3 355 047	01/04/2020
	39 720	01/04/2021	5 517 108	5 517 108					
	27 323	01/04/2022	3 795 165	3 795 165					
	42 798	01/04/2023	5 944 642	5 944 642					
	109 841		15 256 915	15 256 915	33 804	2 819		3 355 047	
MI Mthenjane		01/04/2020			33 181	2 767	99.25	3 293 214	01/04/2020
	37 975	01/04/2021	5 274 728	5 274 728					
	25 754	01/04/2022	3 577 231	3 577 231					
	40 341	01/04/2023	5 603 365	5 603 365					
	104 070		14 455 324	14 455 324	33 181	2 767		3 293 214	
Dr. N Tsengwa		01/04/2020			50 008	4 171	99.25	4 963 294	01/04/2020
	58 762	01/04/2021	8 162 042	8 162 042					
	40 991	01/04/2022	5 693 650	5 693 650					
	64 208	01/04/2023	8 918 491	8 918 491					
	163 961		22 774 183	22 774 183	50 008	4 171		4 963 294	
SE van Loggerenberg[3]		01/04/2020			6 057	505	99.25	601 157	01/04/2020
		01/10/2020			7 043	587	124.01	873 402	07/10/2020
	16 187	01/04/2021	2 248 374	2 248 374					
	11 146	01/04/2022	1 548 179	1 548 179					
	17 458	01/04/2023	2 424 916	2 424 916					
	44 791		6 221 469	6 221 469	13 100	1 092		1 474 559	
M Veti		01/04/2020			32 726	2 730	99.25	3 248 056	01/04/2020
	37 455	01/04/2021	5 202 500	5 202 500					
	25 402	01/04/2022	3 528 338	3 528 338					
	39 790	01/04/2023	5 526 831	5 526 831					
	102 647		14 257 669	14 257 669	32 726	2 730		3 248 056	

[1] *Option strike price is nil.*
[2] *Based on a share price of R138.90 which prevailed on 31 December 2020.*
[3] *Shares forfeited due to performance conditions not being fully met.*
[4] *Resigned on 18 February 2021.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – DBP

2021	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Modification during the year Number	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors									
MDM Mgojo		09/03/2021				4 372	177.96	778 041	13/04/2021
		09/03/2021			142	142	174.39	24 763	23/09/2021
		31/03/2021				11 139	177.96	1 982 296	13/04/2021
		31/03/2021			361	361	174.39	62 955	23/09/2021
		31/08/2021			33	1 036	174.39	180 668	01/10/2021
	1 460	15/03/2022	223 190	223 190	46				
	8 618	31/03/2022	1 317 434	1 317 434	271				
	13 122	31/03/2023	2 005 960	2 005 960	412				
	1 319	31/08/2023	201 636	201 636	42				
	867	19/03/2024	132 538	132 538					
	9 070	31/03/2024	1 386 531	1 386 531					
	988	21/09/2024	151 036	151 036					
	35 444		5 418 325	5 418 325	1 307	17 050		3 028 723	
Dr. N Tsengwa		31/08/2021			9	274	174.39	47 783	01/10/2021
	536	15/03/2022	81 938	81 938	17				
	2 436	31/03/2022	372 391	372 391	77				
	432	31/08/2023	66 040	66 040	14				
	589	19/03/2024	90 040	90 040					
	2 770	31/03/2024	423 450	423 450					
	6 763		1 033 859	1 033 859	117	274		47 783	
PA Koppeschaar		31/08/2021			24	756	174.39	131 839	27/09/2021
	5 543	31/03/2022	847 358	847 358	174				
	4 778	31/03/2023	730 413	730 413	150				
	1 004	31/08/2023	153 481	153 481	32				
	750	21/09/2024	114 653	114 653					
	12 075		1 845 905	1 845 905	380	756		131 839	
Prescribed officers									
V Balgobind		09/03/2021				1 089	177.96	193 798	16/04/2021
		09/03/2021			36	36	174.39	6 278	23/09/2021
		31/03/2021				1 880	177.96	334 565	15/04/2021
		31/03/2021			61	61	174.39	10 638	23/09/2021
		31/08/2021			9	262	174.39	45 690	01/10/2021
	363	15/03/2022	55 492	55 492	12				
	2 623	31/03/2022	400 978	400 978	83				
	2 241	31/03/2023	342 582	342 582	71				
	244	21/09/2024	37 300	37 300					
	5 471		836 352	836 352	272	3 328		590 969	
AS de Angelis	1 092	31/03/2023	166 934	166 934	35				
	466	31/08/2023	71 237	71 237	15				
	202	19/03/2024	30 880	30 880					
	1 269	31/03/2024	193 992	193 992					
	227	21/09/2024	34 701	34 701					
	3 256		497 744	497 744	50				
JG Meyer	4 942	31/03/2023	755 484	755 484	156				
	301	21/09/2024	46 014	46 014					
	5 243		801 498	801 498	156				
MI Mthenjane		09/03/2021				1 346	177.96	239 534	13/04/2021
		09/03/2021			44	44	174.39	7 673	23/09/2021
		31/03/2021				2 331	177.96	414 825	13/04/2021
		31/03/2021			76	76	174.39	13 254	23/09/2021
					120	3 797		675 286	
M Veti		09/03/2021				1 326	177.96	235 975	13/04/2021
		09/03/2021			43	43	174.39	7 499	23/09/2021
		31/03/2021				2 314	177.96	411 799	13/04/2021
		31/03/2021			75	75	174.39	13 079	23/09/2021
		31/08/2021			10	312	174.39	54 410	01/10/2021
	433	15/03/2022	66 193	66 193	14				
	1 730	31/03/2022	264 465	264 465	55				
	682	31/08/2023	104 257	104 257	22				
	449	19/03/2024	68 639	68 639					
	3 180	31/03/2024	486 127	486 127					
	278	21/09/2024	42 498	42 498					
	6 752		1 032 179	1 032 179	219	4 070		722 762	

[1] *Option strike price is nil.*
[2] *Based on a share price of R152.87 which prevailed on 31 December 2021.*

14.5 DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION continued

14.5.4 Share options and restricted share awards continued

Management share scheme – DBP continued

2020	Rights held at 31 December[1] Number	Exercisable period	Proceeds if exercisable at 31 December[2] R	Pre-tax gain if exercisable at 31 December[2] R	Options exercised during the year Number	Sale price/ market price R	Pre-tax gain R	Date exercised
Executive directors								
MDM Mgojo		31/08/2020			1 209	138.35	167 265	01/09/2020
	4 372	09/03/2021	607 271	607 271				
	11 139	31/03/2021	1 547 207	1 547 207				
	1 003	31/08/2021	139 317	139 317				
	1 414	15/03/2022	196 405	196 405				
	8 347	31/03/2022	1 159 398	1 159 398				
	12 710	31/03/2023	1 765 419	1 765 419				
	1 277	31/08/2023	177 375	177 375				
	40 262		5 592 392	5 592 392	1 209		167 265	
PA Koppeschaar	732	31/08/2021	101 675	101 675				
	5 369	31/03/2022	745 754	745 754				
	4 628	31/03/2023	642 829	642 829				
	972	31/03/2023	135 011	135 011				
	11 701		1 625 269	1 625 269				
Prescribed officers								
V Balgobind		09/03/2020			1 054	104.33	109 964	24/03/2020
		31/03/2020			1 891	97.81	184 959	03/04/2020
		31/08/2020			303	138.35	41 920	08/09/2020
	1 089	09/03/2021	151 262	151 262				
	1 880	31/03/2021	261 132	261 132				
	253	31/08/2021	35 142	35 142				
	351	15/03/2022	48 754	48 754				
	2 540	31/03/2022	352 806	352 806				
	2 170	31/03/2023	301 413	301 413				
	8 283		1 150 509	1 150 509	3 248		336 843	
AS de Angelis	1 057	31/03/2023	146 817	146 817				
	451	31/08/2023	62 644	62 644				
	1 508		209 461	209 461				
AW Diedericks		09/03/2020			2 406	104.33	251 018	18/03/2020
		31/03/2020			4 368	97.81	427 234	01/04/2020
		31/08/2020			688	138.35	95 185	31/08/2020
	2 484	09/03/2021	345 028	345 028				
	4 287	31/03/2021	595 464	595 464				
	557	31/08/2021	77 367	77 367				
	773	15/03/2022	107 370	107 370				
	3 098	31/03/2022	430 312	430 312				
	4 641	31/03/2023	644 635	644 635				
	690	31/08/2023	95 841	95 841				
	16 530		2 296 017	2 296 017	7 462		773 437	
JG Meyer		09/03/2020			2 413	104.33	251 748	16/03/2020
		31/03/2020			4 375	97.81	427 919	01/04/2020
		31/08/2020			688	138.35	95 185	02/09/2020
	4 786	31/03/2023	664 775	664 775				
	4 786		664 775	664 775	7 476		774 852	
MI Mthenjane		09/03/2020			1 304	104.33	136 046	24/03/2020
		31/08/2020			670	138.35	92 695	08/09/2020
	1 346	09/03/2021	186 959	186 959				
	2 331	31/03/2021	323 776	323 776				
	3 677		510 735	510 735	1 974		228 741	
Dr. N Tsengwa		09/03/2020			1 308	104.33	136 464	18/03/2020
		31/08/2020			396	138.35	54 787	09/09/2020
	265	31/08/2021	36 809	36 809				
	519	15/03/2022	72 089	72 089				
	2 359	31/03/2022	327 665	327 665				
	418	31/08/2023	58 060	58 060				
	3 561		494 623	494 623	1 704		191 251	
M Veti		09/03/2020			1 271	104.33	132 603	23/03/2020
		31/08/2020			369	138.35	51 051	07/09/2020
	1 326	09/03/2021	184 181	184 181				
	2 314	31/03/2021	321 415	321 415				
	302	31/08/2021	41 948	41 948				
	419	15/03/2022	58 199	58 199				
	1 675	31/03/2022	232 658	232 658				
	660	31/08/2023	91 674	91 674				
	6 696		930 075	930 075	1 640		183 654	

[1] *Option strike price is nil.*
[2] *Based on a share price of R138.90 which prevailed on 31 December 2020.*

CHAPTER 15:
Related parties

CHAPTER 15:
Related parties

15.1 RELATED-PARTY TRANSACTIONS
Transactions with related parties are on terms that are not more nor less favourable than those arranged with independent third parties.

Shareholders
The principal shareholders of the company at 31 December 2021 are detailed in chapter 20, annexure 1.

Directors
Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in note 14.5.

Senior employees
Details relating to option and share transactions are disclosed in note 14.3.

Key management personnel
For Exxaro, other than the executive and non-executive directors and executive committees members, no other key management personnel were identified. Refer note 14.5 for details on directors' and prescribed officers' remuneration.

Subsidiaries
Details of transactions with and investments in subsidiaries are disclosed in chapter 17.

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

Entity	Nature of business
Exxaro Chairman's Fund	Local social economic development[1]
Exxaro Foundation	Local social economic development[1]
Exxaro Employee Empowerment Participation Scheme Trust	Employee share incentive trust
Exxaro Employee Empowerment Trust	Employee share incentive trust
Exxaro Environmental Rehabilitation Fund	Trust fund for mine closure
Exxaro Mountain Bike Academy NPC	Local social economic development[1]
Exxaro People Development Initiative NPC	Local social economic development – bridging classes[1]
Kumba Resources Management Share Trust	Management share incentive trust
Exxaro Employee Share Ownership Trust	Structured entity to hold shares in Exxaro ESOP SPV for the benefit of qualifying beneficiaries
Exxaro ESOP SPV RF Proprietary Limited	Structured entity to hold shares in Eyesizwe for the benefit of Exxaro ESOP Trust
Exxaro Matla Setshabeng Development NPC	Structured entity to benefit communities[1]
Eyesizwe (RF) Proprietary Limited	Structured entity to hold the BEE shares
Matla and Arnot Rehabilitation Trust	Trust fund for mine closure

[1] *Non-profit organisations.*

Associates and joint ventures
Details of associates and JVs are disclosed in chapter 9. Details of trading transactions and balances are summarised below.

	Group			
	Associates		Joint ventures	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Items of income/(expense) recognised during the year				
Sales of goods and services rendered	19	18		
Purchases of goods and services rendered	(419)	(198)	(1 518)	(1 093)
Outstanding balances at 31 December				
Included in trade and other receivables	26	26		2
Included in trade and other payables	(23)	(13)	(240)	(124)

CHAPTER 16:
Financial instruments

CHAPTER 16:
Financial instruments

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS

16.1.1 Financial assets

(i) Classification

Financial assets are classified in the following measurement categories:

- Those measured subsequently at fair value, either through OCI (FVOCI), or through profit or loss (FVPL)
- Those measured at amortised cost.

The classification depends on the business model for managing the financial assets as well as the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether an irrevocable election has been made at the time of initial recognition to account for the equity investment at FVOCI.

Cash and cash equivalents includes cash on hand, funds held at financial institutions and bank overdrafts.

Debt investments are reclassified when, and only when, the business model for managing those assets change.

(ii) Measurement

At initial recognition, a financial asset is measured at its fair value, plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Debt instruments

Subsequent measurement of debt instruments depends on the business model applied for managing the asset and the cash flow characteristics of the asset. Currently there are two measurement categories into which debt instruments are classified, as summarised in the table below. There are no debt instruments classified as FVOCI.

Category	Relevant financial assets	Business model and cash flow characteristics	Movements in carrying amount	Derecognition	Impairment
Amortised cost	• Trade and other receivables • Loans to JVs and associates • Other financial assets • Treasury facilities with subsidiaries • Related party financial assets • ESD loans • Vendor finance loan.	Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI.	Interest income is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss and presented in operating expenses.	Gains or losses arising on derecognition are recognised directly in profit or loss and presented in operating expenses.	Impairment losses are presented as a separate line item in the notes to the statement of comprehensive income. The impairment losses are considered to be immaterial and therefore have not been presented as a separate line on the face of the statement of comprehensive income.
FVPL	• Debt securities • Derivative financial assets.	Financial assets that do not meet the criteria for amortised cost or FVOCI.	Gains and losses on a debt investment that is subsequently measured at FVPL are recognised in profit or loss and presented on a net basis within operating expenses in the period in which it arises. Interest income and dividends are recognised in profit or loss.	Gains or losses arising on derecognition are recognised directly in profit or loss and presented in operating expenses.	Not applicable as measured at fair value.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.1 Financial assets continued

(ii) Measurement continued

Equity instruments

Equity investments are subsequently measured at fair value. Management has elected to present fair value gains and losses on equity investments in OCI. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from these investments continue to be recognised in profit or loss as income from financial assets when the right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in operating expenses in the statements of comprehensive income. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

ECLs associated with debt instruments carried at amortised cost are assessed on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (ie the difference between the cash flows receivable in accordance with the contract and the cash flows that are expected to be received). ECLs are discounted at the effective interest rate of the financial asset.

ECL allowances are measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables, the simplified approach permitted by IFRS 9 is applied, which requires lifetime ECLs to be recognised from initial recognition of the trade receivables. To measure the ECLs, trade receivables are grouped based on shared credit risk characteristics (corporate entities, small to medium enterprises and public sector entities) and the days past due to assess significant increase in credit risk. In addition, forward-looking macro-economic conditions and factors are considered when determining the ECLs for trade receivables, namely trading conditions in the relevant domestic markets and international coal market, relevant domestic prices and export coal prices as well as economic growth and inflationary outlook in the short term. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period of greater than 120 days past due.

For other financial assets measured at amortised cost, the ECL is based on the 12-month ECL allowance or a lifetime ECL allowance. The 12-month ECL allowance is the portion of lifetime ECL allowances that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the ECL will be based on the lifetime ECL allowance.

Credit risk on a financial asset is assumed to have increased significantly if it is more than 30 days past due.

A financial asset is considered to be in default when contractual payments are 90 days past due. However, in certain cases, a financial asset is considered to be in default when internal or external information indicates that the outstanding contractual amounts are unlikely to be received in full before taking into account any credit enhancements held over the financial asset.

The financial assets measured at amortised cost are categorised as follows:

Category	Definition	Basis for recognition of ECL allowance
Performing	Counterparty has a low risk of default and a strong capacity to meet contractual cash flows of principle and/or interest (where applicable).	12-month ECLs: where the expected lifetime of a financial asset measured at amortised cost is less than 12 months, ECLs are measured based on its expected lifetime.
Under-performing	There is a significant increase in credit risk of the counterparty since initial recognition. A significant increase in credit risk is presumed if principle and/or interest (where applicable) payments are 30 to 90 days past due.	Lifetime ECLs
Non-performing	Counterparty has a high risk of default and there is a high probability that the counterparty will be unable to meet contractual cash flows of principal and/or interest (where applicable). There has been a further significant increase in credit risk since recognition. A further significant increase in credit risk is presumed if the principal and/or interest (where applicable) repayments are more than 90 days past due.	Lifetime ECLs
Write-off	There is no reasonable expectation that the principal and/or interest (where applicable) will be recovered.	Financial asset measured at amortised cost is written off

16.1.2 Derivative financial instruments

Derivative positions may be entered into to manage exposures to certain financial risks such as interest rate, commodity price and foreign currency risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to fair value at the end of each reporting period. The resulting gain or loss is recognised immediately in profit or loss unless the derivative is designated as a hedging instrument and found to be effective, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

On initial recognition, when the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on the valuation technique whose variables include only data from observable markets, the difference between the transaction price and fair value is recognised immediately in profit or loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, namely, when the instrument is derecognised or over the life of the transaction.

Counterparty risk from derivative transactions is taken into account when reporting the fair value of derivative positions. The adjustment to the fair value is known as the DVA.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless there is both a legally enforceable right and intention to offset.

A derivative that is not designated, nor found to be effective as a hedging instrument, is presented as a non-current financial asset or a non-current financial liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives not designated, nor found to be effective as a hedging instrument, are presented as current financial assets or current financial liabilities.

16.1.3 Hedge accounting

The group has designated as cash flow hedges, and found to be effective, its interest rate swaps that cover a portion of the interest rate cash flows on certain of the project financing interest-bearing borrowings.

At inception of the hedge relationship, the risk management objective and strategy for undertaking the hedged transactions, as well as the economic relationship between the hedging instruments and hedged items (including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items) is documented.

The effectiveness of the hedging instrument offsetting changes in cash flows of the hedged item attributable to the hedged risk is assessed and documented at inception and on an ongoing basis. The hedge relationship is determined to be effective when all of the following requirements are met:
- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that is actually hedged and the quantity of the hedging instrument that is actually used to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the hedge ratio of the hedging relationship is adjusted (ie rebalances the hedge) so that it meets the qualifying criteria again.

The full fair value of a derivative designated and found to be effective as a hedging instrument is classified as:
- A non-current financial asset or financial liability when the remaining maturity of the hedged item is more than 12 months or
- A current financial asset or financial liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI and accumulated in the cash flow hedge reserve within equity, but limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in OCI and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item, namely finance costs.

Furthermore, in cases where it is expected that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss in operating expenses.

Hedge accounting is discontinued only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in OCI and accumulated in the cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

16.1 ACCOUNTING POLICIES RELATING TO FINANCIAL INSTRUMENTS continued

16.1.4 Loan commitments issued by the group and company

Undrawn loan commitments are commitments under which, over the duration of the commitment, the group and company are required to provide a loan with pre-specified terms to the counterparty. These contracts are in the scope of the ECL requirements of IFRS 9.

When estimating 12-month or lifetime ECLs for undrawn loan commitments, the group and company estimates the expected portion of the loan commitment that will be drawn down over 12 months or its expected life, respectively. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting. The cash shortfalls include the realisation of any collateral. The expected cash shortfalls are discounted at an approximation to the expected effective interest rate on the loan.

16.2 JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

In applying IFRS 9 *Financial Instruments*, management makes judgements and assumptions in determining the impairment losses to be recognised in relation to financial assets. The ECL allowances for financial assets are based on assumptions about risk of default and expected loss rates. Judgement is used in making these assumptions and selecting the inputs to the impairment calculation, based on past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The following judgements and assumptions were applied for trade and other receivables:

The trade and other receivables are categorised into public sector entities, corporate entities as well as SMEs. Intercompany debtors are classified as SMEs, and the same PD and LGD multipliers as used for external trade and other receivables are used to calculate intercompany ECLs. Where Exxaro company is indebted to related parties, Exxaro's external credit rating is used to determine its PD and LGD multipliers.

The table below sets out the PD and LGD multipliers used.

		Percentage of gross trade receivables %	PD %	LGD %
2021	Public sector entities	69	6.37	50.0
	Corporate entities	15	4.07 to 5.52	34.0 to 39.0
	SMEs	16	6.79	40.9
2020	Public sector entities	62	7.50	30.0
	Corporate entities	7	3.10 to 4.40	37.0 to 41.0
	SMEs	31	4.78	39.60

16.3 FINANCIAL INSTRUMENTS

16.3.1 Carrying amounts and fair value amounts of financial instruments

The tables below set out the group and company's classification of each category of financial assets and financial liabilities.

	Group					
At 31 December 2021	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Derivative financial liabilities designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets						
Non-current						
Financial assets, consisting of:	446	2 173	618			3 237
– Equity: unlisted – Chifeng	446					446
– Debt: unlisted – environmental rehabilitation funds		2 173				2 173
– ESD loans			91			91
– Vendor finance loan			293			293
– Other financial assets at amortised cost			234			234
Total non-current financial assets	446	2 173	618			3 237
Current						
Financial assets, consisting of:		4	307			311
– ESD loans			90			90
– Vendor finance loan			7			7
– Derivative financial assets		4				4
– Other financial assets at amortised cost			210			210
Trade and other receivables, consisting of:			2 701			2 701
– Trade receivables			2 626			2 626
– Other receivables			75			75
Cash and cash equivalents			7 042			7 042
Total current financial assets		4	10 050			10 054
Total financial assets	446	2 177	10 668			13 291
Financial liabilities						
Non-current						
Interest-bearing borrowings					(9 255)	(9 255)
Other payables					(53)	(53)
Financial liabilities, consisting of:				(406)		(406)
– Cash flow hedge derivatives: interest rate swaps				(406)		(406)
Total non-current financial liabilities				(406)	(9 308)	(9 714)
Current						
Interest-bearing borrowings					(1 000)	(1 000)
Trade and other payables					(2 230)	(2 230)
Overdraft					(1)	(1)
Total current financial liabilities					(3 231)	(3 231)
Total financial liabilities				(406)	(12 539)	(12 945)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

	Group						
At 31 December 2020	Financial assets at FVOCI Rm	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at FVPL Rm	Derivative financial liabilities designated as hedging instruments Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets							
Non-current							
Financial assets, consisting of:	222	1 247	672				2 141
– Equity: unlisted – Chifeng	222						222
– Debt: unlisted – environmental rehabilitation funds		1 247					1 247
– ESD loans			79				79
– Other financial assets at amortised cost			593				593
Total non-current financial assets	222	1 247	672				2 141
Current							
Financial assets, consisting of:			169				169
– ESD loans			105				105
– Other financial assets at amortised cost			64				64
Trade and other receivables, consisting of:			2 827				2 827
– Trade receivables			2 698				2 698
– Other receivables			129				129
Cash and cash equivalents			3 196				3 196
Total current financial assets			6 192				6 192
Non-current assets held-for-sale		655	186				841
Total financial assets	222	1 902	7 050				9 174
Financial liabilities							
Non-current							
Interest-bearing borrowings						(7 448)	(7 448)
Other payables						(24)	(24)
Financial liabilities, consisting of:					(713)	(69)	(782)
– Cash flow hedge derivatives: interest rate swaps					(713)		(713)
– Loan from NCI						(69)	(69)
Total non-current financial liabilities					(713)	(7 541)	(8 254)
Current							
Interest-bearing borrowings						(6 163)	(6 163)
Trade and other payables						(2 940)	(2 940)
Financial liabilities, consisting of:				(49)			(49)
– Derivative financial liabilities				(49)			(49)
Overdraft						(17)	(17)
Total current financial liabilities				(49)		(9 120)	(9 169)
Non-current liabilities held-for-sale						(296)	(296)
Total financial liabilities				(49)	(713)	(16 957)	(17 719)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

At 31 December 2021	Company Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets				
Non-current				
Financial assets, consisting of:	34	5 225		5 259
– Debt: unlisted – environmental rehabilitation funds	34			34
– ESD loans		91		91
– Vendor finance loan		293		293
– Interest-bearing loans to subsidiaries		4 841		4 841
Total non-current financial assets	34	5 225		5 259
Current				
Financial assets, consisting of:		6 260		6 260
– ESD loans		90		90
– Vendor finance loan		7		7
– Other financial assets at amortised cost		145		145
– Interest-bearing loans to subsidiaries		858		858
– Non-interest-bearing loans to subsidiaries		357		357
– Treasury facilities with subsidiaries		4 803		4 803
Trade and other receivables, consisting of:		325		325
– Other receivables		1		1
– Indebtedness by subsidiaries		324		324
Cash and cash equivalents		4 868		4 868
Total current financial assets		11 453		11 453
Total financial assets	34	16 678		16 712
Financial liabilities				
Non-current				
Interest-bearing borrowings			(4 704)	(4 704)
Total non-current financial liabilities			(4 704)	(4 704)
Current				
Interest-bearing borrowings			(851)	(851)
Trade and other payables			(159)	(159)
Financial liabilities, consisting of:			(9 746)	(9 746)
– Non-interest-bearing loans from subsidiaries			(76)	(76)
– Treasury facilities with subsidiaries			(9 670)	(9 670)
Overdraft			(1)	(1)
Total current financial liabilities			(10 757)	(10 757)
Total financial liabilities			(15 461)	(15 461)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.1 Carrying amounts and fair value amounts of financial instruments continued

	Company			
At 31 December 2020	Financial assets at FVPL Rm	Financial assets at amortised cost Rm	Financial liabilities at amortised cost Rm	Total carrying amount Rm
Financial assets				
Non-current				
Financial assets, consisting of:	30	1 376		1 406
– Debt: unlisted – environmental rehabilitation funds	30			30
– ESD loans		79		79
– Interest-bearing loans to subsidiaries		1 297		1 297
Total non-current financial assets	30	1 376		1 406
Current				
Financial assets, consisting of:		11 386		11 386
– ESD loans		105		105
– Interest-bearing loans to subsidiaries		6 041		6 041
– Non-interest-bearing loans to subsidiaries		353		353
– Treasury facilities with subsidiaries		4 887		4 887
Trade and other receivables, consisting of:		646		646
– Other receivables		7		7
– Indebtedness by subsidiaries		639		639
Cash and cash equivalents		1 864		1 864
Total current financial assets		13 896		13 896
Total financial assets	30	15 272		15 302
Financial liabilities				
Non-current				
Interest-bearing borrowings			(2 748)	(2 748)
Total non-current financial liabilities			(2 748)	(2 748)
Current				
Interest-bearing borrowings			(6 053)	(6 053)
Trade and other payables			(200)	(200)
Financial liabilities, consisting of:			(16 071)	(16 071)
– Non-interest-bearing loans from subsidiaries			(8 672)	(8 672)
– Treasury facilities with subsidiaries			(7 399)	(7 399)
Overdraft			(17)	(17)
Total current financial liabilities			(22 341)	(22 341)
Total financial liabilities			(25 089)	(25 089)

Due to the short-term nature of the current financial assets and current financial liabilities, the carrying amount is assumed to be the same as the fair value.

The carrying amounts of non-current financial instruments measured at amortised cost approximate fair value due to the nature and terms of these instruments.

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values

16.3.2.1 Fair value hierarchy

Financial assets and financial liabilities at fair value have been categorised in the following hierarchy structure, based on the inputs used in the valuation technique:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.
Level 2 – Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable.
Level 3 – Inputs that are not based on observable market data (unobservable inputs).

	Group		
2021	Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVOCI	446		446
Equity: unlisted – Chifeng	446		446
Financial assets at FVPL	2 173	2 173	
Non-current debt: unlisted – environmental rehabilitation funds	2 173	2 173	
Derivative financial assets	4	4	
Current derivative financial assets	4	4	
Derivative financial liabilities designated as hedging instruments	(406)	(406)	
Non-current cash flow hedge derivatives: interest rate swaps	(406)	(406)	
Net financial assets held at fair value	2 217	1 771	446

Reconciliation of Level 3 hierarchy	Chifeng Rm	Total Rm
At 31 December 2020	222	222
Movement during the year		
Gains recognised in OCI (pre-tax effect)[1]	49	49
Disposal[2]	(217)	(217)
Acquisition[2]	392	392
At 31 December 2021	446	446

[1] Tax on Chifeng amounts to nil.
[2] During the year the four Chifeng refinery companies embarked on a process to consolidate the separate companies into one consolidated entity. The investments in the separate companies for certain of the phases were derecognised and the investment in the consolidated entity which includes all phases of the Chifeng refinery, was recognised on the consolidation date. Exxaro now holds an 8.81% shareholding in Chifeng.

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

16.3.2.1 Fair value hierarchy continued

2020	Group Fair value Rm	Level 2 Rm	Level 3 Rm
Financial assets at FVOCI	222		222
Equity: unlisted – Chifeng	222		222
Financial assets at FVPL	1 902	1 902	
Non-current debt: unlisted – environmental rehabilitation funds	1 247	1 247	
Non-current debt: unlisted – environmental rehabilitation funds, included in non-current assets held-for-sale	655	655	
Derivative financial liabilities	(49)	(49)	
Current derivative financial liabilities	(49)	(49)	
Derivative financial liabilities designated as hedging instruments	(713)	(713)	
Non-current cash flow hedge derivatives: interest rate swaps	(713)	(713)	
Net financial assets held at fair value	1 362	1 140	222

Reconciliation of Level 3 hierarchy	Group Contingent consideration Rm	Chifeng Rm	Total Rm
At 31 December 2019	(191)	235	44
Movement during the year			
Losses recognised in profit or loss	(3)		(3)
Losses recognised in OCI (pre-tax effect)[1]		(13)	(13)
Acquisition of subsidiaries[2]	(98)		(98)
Settlements[3]	296		296
Exchange losses recognised in profit or loss	(4)		(4)
At 31 December 2020		222	222

[1] *Tax on Chifeng amounts to nil.*
[2] *Relates to the acquisition of the remaining 50% interest in Cennergi.*
[3] *Relates to the ECC contingent consideration, amounting to R195 million, which was fully settled in January 2020 and the Cennergi contingent consideration, amounting to R101 million, which was fully settled in December 2020.*

2021	Company Fair value Rm	Level 2 Rm
Financial assets at FVPL	34	34
Non-current debt: unlisted – environmental rehabilitation funds	34	34
Net financial assets held at fair value	34	34

2020	Company Fair value Rm	Level 2 Rm
Financial assets at FVPL	30	30
Non-current debt: unlisted – environmental rehabilitation funds	30	30
Net financial assets held at fair value	30	30

16.3 FINANCIAL INSTRUMENTS continued

16.3.2 Fair values continued

16.3.2.1 Fair value hierarchy continued

Reconciliation of Level 3 hierarchy	Company Contingent consideration Rm	Company Total Rm
At 31 December 2019	(191)	(191)
Movement during the year		
Losses recognised in profit or loss	(3)	(3)
Acquisition of subsidiaries[1]	(98)	(98)
Settlements[2]	296	296
Exchange losses recognised in profit or loss	(4)	(4)
At 31 December 2020		

[1] *Relates to the acquisition of the remaining 50% shareholding in Cennergi.*
[2] *Relates to the ECC contingent consideration, amounting to R195 million, which was fully settled in January 2020 and the Cennergi contingent consideration, amounting to R101 million, which was fully settled in December 2020.*

16.3.2.2 Transfers

Transfers between levels of the fair value hierarchy are recognised as at the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1 and Level 2 nor between Level 2 and Level 3 of the fair value hierarchy during the periods ended 31 December 2021 and 31 December 2020.

16.3.2.3 Valuation process applied

The fair value computations of investments are performed by the corporate finance department, reporting to the finance director, on a six-monthly basis. The valuation reports are discussed with the chief operating decision maker and the audit committee in accordance with Exxaro's reporting governance.

16.3.2.4 Current derivative financial instruments

Level 2 fair values for simple over-the-counter derivative financial instruments are based on market quotes. These quotes are assessed for reasonableness by discounting estimated future cash flows using the market rate for similar instruments at measurement date.

16.3.2.5 Environmental rehabilitation funds

Level 2 fair values for debt instruments held in the environmental rehabilitation funds are based on quotes provided by the financial institutions at which the funds are invested at measurement date. These financial institutions invest in instruments which are listed.

16.3.2.6 Interest rate swaps

Level 2 fair values for interest rate swaps are based on valuations provided by the financial institutions with whom the interest rate swaps have been entered into, and take into account credit risk. The valuations are assessed for reasonability by discounting the estimated future cash flows based on observable ZAR swap curves.

16.3.3 Risk management

16.3.3.1 Financial risk management

The group's corporate treasury function predominantly provides financial risk management services to the business, coordinates access to domestic and international financial markets, and monitors and manages the financial risks relating to the operations of the group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (including foreign currency risk, commodity price risk, interest rate risk and price risk), credit risk and liquidity risk.

The group's objectives, policies and processes for measuring and managing these risks are detailed below.

The group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of derivative financial instruments is governed by the group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, commodity price risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis and the results are reported to the audit committee.

Financial instruments, including derivative financial instruments, are not entered into nor traded for speculative purposes rather, financial instruments are entered into to manage and reduce the possible adverse impact on earnings and cash flows of changes in interest rates, foreign currency exchange rates and commodity prices.

Capital management

In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or ROCE) and the level of dividends to shareholders. The group's policy is to cover its annual net funding requirements through long-term loan facilities with maturities spread over time. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management

16.3.3.2 Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect profit or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group's activities expose it primarily to the financial risks of changes in the environmental rehabilitation funds quoted prices (see 16.3.3.2.1), foreign currency exchange rates (see 16.3.3.2.2), commodity prices (see 16.3.3.2.3) and interest rates (see 16.3.3.2.4). The group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, commodity price risks and interest rate risks, including:

- Currency FECs, currency options and currency swap agreements to manage the exchange rate risk arising on the export of coal and import of capital expenditure
- Commodity FECs to manage coal price risk on the export of coal
- Interest rate swaps and interest rate forwards to manage interest rate risk on the interest-bearing borrowings.

16.3.3.2.1 Price risk management

The group's exposure to equity price risk arises from investments held by and classified either as at FVOCI or at FVPL. Currently, the group's exposure to equity price risk is not considered to be significant as Chifeng is seen as a non-core investment.

The group's exposure to price risk in relation to quoted prices of the environmental rehabilitation funds is not considered a significant risk as the funds are invested with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and growth. The funds are held for strategic purposes rather than trading purposes.

16.3.3.2.2 Foreign currency risk management

Certain transactions are denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The currency in which transactions are entered into is mainly denominated in US dollar, euro and Australian dollar.

Exchange rate exposures are managed within approved policy parameters utilising FECs, currency options and currency swap agreements.

The group maintains a fully covered exchange rate position for foreign balances (if any) and imported capital equipment resulting in these exposures being fully converted to rand. Trade-related import exposures are managed using economic hedges arising from export revenue and through FECs. Trade-related export exposures are hedged using FECs and currency options with specific focus on short-term receivables.

Uncovered cash and cash equivalents amount to US$49.85 million (2020: US$116.35 million).

Monetary items have been translated at the closing rate at the last day of the reporting period.

The FECs used to hedge foreign currency exposure mostly have a maturity of less than one year from the reporting date. When necessary, FECs are rolled over at maturity.

The following significant exchange rates applied during the year:

	2021			2020		
	Average spot rate	Average achieved rate	Closing spot rate	Average spot rate	Average achieved rate	Closing spot rate
US$	14.78	14.88	15.94	16.45	16.43	14.62
€	17.47		18.04	18.76		17.97
AU$	11.11		11.55	11.35		11.27

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.3 Commodity price risk management

The group entered into commodity FECs to hedge certain of its export product exposure, in terms of coal prices for the period ended 31 December 2020. The commodity price hedges on coal matured in April 2021, realising a total loss of R43 million.

Details of the contracts at 31 December 2020 were as follows:

	Group			
2020	**Tonnes**	**Market related value Rm**	**Contract value Rm**	**Recognised fair value losses Rm**
Coal	450 000	577	528	(49)

Commodity price sensitivity

An adverse change in the commodity price of 10% is demonstrated below. This analysis assumes that all other variables remains constant.

2020	**Impact on profit/(loss) Rm**
Coal	(53)

A 10% positive move against the above commodity prices at 31 December 2020 would have had on equal but opposite effect on the amount shown above, on the basis that all other variables remain constant.

16.3.3.2.4 Interest rate risk management

The group is exposed to interest rate risk as it borrows and deposits funds at floating interest rates on the money market and extended bank borrowings. The group's main interest rate risk arises from long-term borrowings with floating rates, which expose the group to cash flow interest rate risk. The risk is managed by undertaking controlled management of the interest structures of the investments and borrowings, maintaining an appropriate mix between fixed and floating interest rate facilities in line with the interest rate expectations. The group also uses interest rate swaps and interest rate forwards to manage the interest rate risk exposure.

As part of the Cennergi business combination, in 2020, the group assumed Cennergi's borrowings and interest rate swaps as financial liabilities. The contractual terms of these borrowings required interest rate swaps (hedging instruments) to be entered into to swap out the floating interest rate of the underlying project financing for a fixed interest rate. This was required to fix the future expected returns given the long-term nature of the project financing. In 2020, the group amended its interest rate risk management strategy as follows:

- When the contractual terms of the borrowings and covenants thereof require the use of hedging instruments to mitigate the risk of fluctuations of the underlying interest rate risk cash flow exposure and the impact on profit or loss of specific projects being financed, the group looks to apply hedge accounting where an effective hedge relationship is expected and to the extent that such exposure poses a real risk to the achievement of the loan covenants.

The financial institutions chosen are subject to compliance with the relevant regulatory bodies.

16.3.3.2.4.1 Loan facility and bonds

The loan facility and bonds were entered into at floating interest rates in anticipation of a decrease in the interest rate cycle.

The interest rate repricing profile for the loan facility and bonds is summarised below for group and company:

	1 to 6 months Rm	**Total borrowings Rm**
At 31 December 2021		
Non-current interest-bearing borrowings: loan facility and bond	(4 704)	(4 704)
Current interest-bearing borrowings: loan facility and bond	(851)	(851)
Total interest-bearing borrowings: loan facility and bond	(5 555)	(5 555)
Total borrowings (%)	100	100
At 31 December 2020		
Non-current interest-bearing borrowings: loan facility and bond	(2 748)	(2 748)
Current interest-bearing borrowings: loan facility and bond	(6 053)	(6 053)
Total interest-bearing borrowings: loan facility and bond	(8 801)	(8 801)
Total borrowings (%)	100	100

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.1 Loan facility and bonds continued

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	2021 Rm	2020 Rm
Impact on earnings: loss	(28)	(44)

A decrease in interest rates of 50 basis points would have an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

16.3.3.2.4.2 Project financing

The group is exposed to the risk of variability in future interest payments on the project financing, attributable to fluctuations in 3-month JIBAR. The designated hedged item is the group of forecast floating interest rate cash flows arising from the project financing, up to the notional amount of each interest rate swap, over the term of the hedging relationship. The notional amounts per interest rate swap match up to the designated exposure being hedged.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged project financing.
The exposure profile is summarised as follows:

	Group		Group	
	Percentage exposure			
At 31 December	2021 %	2020 %	2021 Rm	2020 Rm
Project financing nominal amount	100	100	(4 700)	(4 810)
– Linked to fixed rate	3	3	(145)	(158)
– Linked to floating rate	97	97	(4 556)	(4 652)
Project financing nominal amount linked to floating rate	97	97	(4 556)	(4 652)
Interest rate swap notional amount (swap floating rate to fixed rate)	(81)	(81)	3 808	3 885
Effective floating rate exposure on project financing[1]	16	16	(748)	(767)

[1] *Represents 40% exposure on the Tsitsikamma SPV project financing.*

Interest rate sensitivity

The following table reflects the potential impact on earnings, given an increase in interest rates of 50 basis points:

	2021 Rm	2020 Rm
Impact on finance costs	(37)	(38)

A decrease in interest rates of 50 basis points would have an equal but opposite effect on the amounts shown above, all other variables held constant.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.2 Project financing continued

Hedge accounting: Cash flow hedges

Hedge effectiveness:

The group has assumed certain interest rate swaps from its business combination with Cennergi that have similar critical terms as the hedged item, such as reference rates, reset dates, payment dates, maturities and notional amounts. The group does not hedge 100% of its project financing, therefore the hedged item is identified as a proportion of the outstanding project financing up to the notional amount of the interest rate swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness for interest rate swaps is assessed frequently. It may occur due to:
- The DVA on the interest rate swaps which is not matched by the project financing
- Differences in critical terms between the interest rate swaps and project financing.

The recognised ineffectiveness in 2021 amounted to R10 million (2020: R57 million) and is mainly as a result of the DVA. Credit valuation adjustments are not considered due to the terms of the underlying loans, which allow for set-off.

The interest rate swaps require settlement of net interest receivable or payable every six months. The settlement dates coincide with the dates on which interest is payable on the underlying project financing.

The following tables detail the financial position and performance of the interest rate swap contracts outstanding at the end of the reporting period and their related hedged items.

Financial performance effects of hedging recognised during the year:

	Line item in which recognised	Group 2021 Rm	Group 2020 Rm
Fair value losses resulting from hedge ineffectiveness	Operating expenses	(10)	(57)
Fair value losses on settlement of underlying swap (reclassified)	Finance costs	(146)	(107)

Hedging instruments

At 31 December	Group 2021 Rm	Group (Restated)[1] 2020 Rm
Hedged items: Cash flows on floating rate project financing linked to JIBAR		
Nominal amount[1]	3 808	3 885
Carrying amount in cash flow hedge reserve	(165)	(428)
Cumulative loss in fair value used for calculating hedge ineffectiveness	(165)	(428)
Hedging instruments: Outstanding receive floating, pay fixed contracts		
Nominal amount[1]	3 808	3 885
Carrying amount	(406)	(713)
Cumulative loss in fair value used for calculating hedge ineffectiveness	(354)	(549)

[1] *The following disclosed items within the note have been restated to reflect the correct applicable amount. The restatement only impacts the disclosure of these items:*

	Previously presented Rm	*Restated Rm*
Notional amount of:		
– Hedged items	*4 219*	*3 885*
– Hedged instruments	*4 219*	*3 885*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.2 Market risk management continued

16.3.3.2.4 Interest rate risk management continued

16.3.3.2.4.2 Project financing continued

Hedging instruments continued

The interest rate swaps settle on a bi-annual basis. The group settles the difference between the fixed and floating interest rate (3-month JIBAR) on a net basis. The 3-month JIBAR is swapped out to a fixed rate as follows:

- Tsitsikamma SPV floating rate facility: 9.55% up to 30 June 2030. The swaps cover 60% of the remaining loan notional value.
- Amakhala SPV floating rate facilities:
  - IFC facilities: 8.42% up to 30 June 2031. The swaps cover 100% of the remaining loans notional values.
  - A and C banking facilities: 8.00% up to 30 June 2021. The swaps cover 100% of the remaining loans notional values.
    9.46% up to 30 June 2026. The swaps cover 100% of the remaining loans notional values.

The interest rate swaps require settlement of net interest receivable or payable every six months. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

Hedging reserves

The hedging reserve relates to the fair value movements on cash flow hedges of interest rate swaps. The reserve is included within the financial instruments revaluation reserve on the group statement of changes in equity, which includes the group's share of movements in its equity-accounted investees' hedging reserves.

Financial instruments revaluation reserve composition:

	Group	
	2021 Rm	2020 Rm
Cash flow hedge reserve – interest rate swaps	(119)	(308)
– Gross	(165)	(428)
– Deferred tax thereon	46	120
Balance of share of movements of equity-accounted investees		2
Balance of NCI share of financial instruments revaluation reserve	2	51
Financial instruments revaluation reserve	(117)	(255)

Movement analysis of cash flow hedge reserve – interest rate swaps:

	Gross Rm	Tax Rm	Net Rm
At 31 December 2019			
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	(535)	150	(385)
Reclassified from OCI to profit or loss in finance costs	107	(30)	77
At 31 December 2020	(428)	120	(308)
Movement during the year			
Change in fair value of interest rate swaps recognised in OCI	117	(33)	84
Reclassified from OCI to profit or loss in finance costs	146	(41)	105
At 31 December 2021	(165)	46	(119)

16.3.3.3 Liquidity risk management

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements.

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

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

Borrowing capacity is determined by the board of directors, from time to time.

	Group	
	2021 Rm	2020 Rm
Amount approved	49 438	48 476
Total borrowings	(10 255)	(13 611)
Unutilised borrowing capacity	39 183	34 865

The group's capital base and the borrowing powers of the company and the group were set at 125% of shareholders' funds (equity attributable to owners of the parent) for both the 2021 and 2020 financial years.

Standard payment terms for the majority of trade payables is the end of the month following the month in which the goods are received or services are rendered. A number of trade payables do, however, have shorter contracted payment periods.

To avoid incurring interest on late payments, financial risk management policies and procedures are entrenched to ensure the timeous matching of orders placed with goods received notes or services acceptances and invoices.

16.3.3.3.1 Maturity profile of financial instruments

The following tables detail the contractual maturities of financial assets and financial liabilities:

	Group					
			Maturity			
At 31 December 2021	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	181	181	90	52	39	
Vendor finance loan	300	453	27	15	77	334
Other financial assets at amortised cost[1]	350	369	220	72	77	
Derivative financial assets	4	4	4			
Trade and other receivables	2 701	2 701	2 701			
Cash and cash equivalents	7 042	7 042	7 042			
Total financial assets	10 578	10 750	10 084	139	193	334
Percentage profile (%)		100	94	1	2	3
Financial liabilities						
Interest-bearing borrowings	(10 255)	(13 526)	(1 655)	(1 261)	(6 678)	(3 932)
Non-current other payables	(53)	(53)		(53)		
Trade and other payables	(2 230)	(2 230)	(2 230)			
Cash flow hedge derivatives: interest rate swaps	(406)	(468)	(173)	(114)	(179)	(2)
Overdraft	(1)	(1)	(1)			
Total financial liabilities	(12 945)	(16 278)	(4 059)	(1 428)	(6 857)	(3 934)
Percentage profile (%)		100	25	9	42	24
Liquidity gap identified[2]	(2 367)	(5 528)	6 025	(1 289)	(6 664)	(3 600)

[1] *Excludes the environmental rehabilitation funds at amortised cost of R94 million.*
[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Group					
			Maturity			
At 31 December 2020	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	184	184	105	56	23	
Other financial assets at amortised cost[1]	271	300	76	71	153	
Trade and other receivables	2 827	2 827	2 827			
Cash and cash equivalents	3 196	3 196	3 196			
Total financial assets	6 478	6 507	6 204	127	176	
Percentage profile (%)		100	95	2	3	
Financial liabilities						
Interest-bearing borrowings	(13 611)	(16 709)	(6 907)	(1 841)	(3 342)	(4 619)
Non-current other payables	(24)	(24)		(18)	(6)	
Trade and other payables	(2 940)	(2 940)	(2 940)			
Derivative financial liabilities	(49)	(49)	(49)			
Cash flow hedge derivatives: interest rate swaps	(713)	(728)	(208)	(197)	(315)	(8)
Loan from NCI	(69)	(101)				(101)
Overdraft	(17)	(17)	(17)			
Total financial liabilities	(17 423)	(20 568)	(10 121)	(2 056)	(3 663)	(4 728)
Percentage profile (%)		100	49	10	18	23
Liquidity gap identified[2]	(10 945)	(14 061)	(3 917)	(1 929)	(3 487)	(4 728)

[1] *Excludes the environmental rehabilitation funds at amortised cost of R386 million.*
[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. Exxaro was in the process of refinancing its loan facility.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company					
			Maturity			
At 31 December 2021	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	181	181	90	52	39	
Vendor finance loan	300	453	27	15	77	334
Trade and other receivables	325	325	325			
Cash and cash equivalents	4 868	4 868	4 868			
Non-interest-bearing loans to subsidiaries	357	357	357			
Interest-bearing loans to subsidiaries	5 699	6 822	1 170	726	4 738	188
Treasury facilities with subsidiaries	4 803	4 803	4 803			
Total financial assets	16 533	17 809	11 640	793	4 854	522
Percentage profile (%)		100	66	4	27	3
Financial liabilities						
Interest-bearing borrowings	(5 555)	(6 596)	(1 158)	(717)	(4 721)	
Trade and other payables	(159)	(159)	(159)			
Overdraft	(1)	(1)	(1)			
Non-interest-bearing loans from subsidiaries[1]	(76)	(76)	(76)			
Treasury facilities with subsidiaries	(9 670)	(9 670)	(9 670)			
Total financial liabilities	(15 461)	(16 502)	(11 064)	(717)	(4 721)	
Percentage profile (%)		100	67	4	29	
Liquidity gap identified	1 072	1 307	576	76	133	522

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.3 Liquidity risk management continued

16.3.3.3.1 Maturity profile of financial instruments continued

	Company					
			Maturity			
At 31 December 2020	Carrying amount Rm	Contractual cash flows Rm	0 to 12 months Rm	1 to 2 years Rm	2 to 5 years Rm	More than 5 years Rm
Financial assets						
ESD loans	184	184	105	56	23	
Trade and other receivables	646	646	646			
Cash and cash equivalents	1 864	1 864	1 864			
Non-interest-bearing loans to subsidiaries	353	353	353			
Interest-bearing loans to subsidiaries	7 338	7 851	6 341	461	752	297
Treasury facilities with subsidiaries	4 887	4 887	4 887			
Total financial assets	15 272	15 785	14 196	517	775	297
Percentage profile (%)		100	90	3	5	2
Financial liabilities						
Interest-bearing borrowings	(8 801)	(9 401)	(6 455)	(1 355)	(1 591)	
Trade and other payables	(200)	(200)	(200)			
Overdraft	(17)	(17)	(17)			
Non-interest-bearing loans from subsidiaries[1]	(8 672)	(8 672)	(8 672)			
Treasury facilities with subsidiaries	(7 399)	(7 399)	(7 399)			
Total financial liabilities	(25 089)	(25 689)	(22 743)	(1 355)	(1 591)	
Percentage profile (%)		100	89	5	6	
Liquidity gap identified[2]	(9 817)	(9 904)	(8 547)	(838)	(816)	297

[1] *The majority of the non-interest-bearing loans from subsidiaries are not expected to be called upon in the foreseeable future.*
[2] *The liquidity gap identified will be funded by cash generated from operations and the undrawn facilities in place. Exxaro was in the process of refinancing its loan facility.*

16.3.3.4 Credit risk management

Credit risk relates to potential default by counterparties on cash and cash equivalents, loans, investments, trade receivables and other receivables.

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's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors annually.

Trade receivables consist of a number of customers with whom Exxaro has long-standing relationships. A high portion of term supply arrangements exists with such customers resulting in limited credit exposure which exposure is limited by performing customer creditworthiness or country risk assessments.

The group strives to enter into sales contracts with customers which stipulate the required payment terms. It is expected of each customer that these payment terms are adhered to. Where trade receivables balances become past due, the normal recovery procedures are followed to recover the debt, where applicable new payment terms may be arranged to ensure that the debt is fully recovered.

Exxaro has concentration risk because its exposure to one major customer. This is, however, not considered significant as the customer adheres to the stipulated payment terms.

Exxaro establishes an allowance for non-recoverability or impairment that represents its estimate of ECLs for trade receivables, other receivables, loans, cash and cash equivalents and investments. The main components of these allowances are a 12-month ECL component that results from possible default events within the 12 months after the reporting date and a lifetime ECL component that results from all possible default events over the expected life of a financial instrument.

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. None of the financial assets were held as collateral for any security provided.

Detail of the trade receivables credit risk exposure:

At 31 December	Group 2021 %	Group 2020 %
By geographical area		
RSA	88	72
Europe	8	16
Asia		12
USA	4	
Total	100	100
By industry		
Public utilities	67	57
Mining	5	6
Manufacturing	2	1
Merchants	15	30
Food and beverage	1	1
Steel	9	4
Cement	1	
Other		1
Total	100	100

Detailed impairment analysis of financial assets measured at amortised cost:

	Group			
At 31 December 2021	Total Rm	Performing Rm	Under-performing Rm	Non-performing Rm
ESD loans	181	181		
– Non-current – gross	99	91		8
– Non-current – impairment allowances	(8)			(8)
– Current – gross	114	92		22
– Current – impairment allowances	(24)	(2)		(22)
Vendor finance loan	300	300		
– Non-current – gross	300	300		
– Non-current – impairment allowance	(7)	(7)		
– Current – gross	7	7		
Other financial assets at amortised cost	444	444		
– Non-current – gross	239	239		
– Non-current – impairment allowances	(5)	(5)		
– Current – gross	221	217		4
– Current – impairment allowances	(11)	(7)		(4)
Lease receivables[1]	52	52		
– Non-current – gross	47	47		
– Non-current – impairment allowances	(2)	(2)		
– Current – gross	7	7		
Trade receivables	2 626	2 606	2	18
– Gross	2 647	2 627	2	18
– Impairment allowances	(21)	(21)		
Other receivables	75	75		
– Gross	101	75		26
– Impairment allowances	(26)			(26)
Cash and cash equivalents	7 042	7 042		
Total financial assets at amortised cost	10 720	10 700	2	18

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Group			
At 31 December 2020	Total Rm	Performing Rm	Under-performing Rm	Non-performing Rm
ESD loans	184	184		
– Non-current – gross	79	79		
– Current – gross	106	106		
– Current – impairment allowances	(1)	(1)		
Other financial assets at amortised cost	657	657		
– Non-current – gross	598	598		
– Non-current – impairment allowances	(5)	(5)		
– Current – gross	69	65		4
– Current – impairment allowances	(5)	(1)		(4)
Lease receivables[1]	59	59		
– Non-current – gross	54	54		
– Non-current – impairment allowances	(1)	(1)		
– Current – gross	6	6		
Trade receivables	2 698	2 568	15	115
– Gross	2 793	2 583	15	195
– Impairment allowances	(95)	(15)		(80)
Other receivables	129	100	1	28
– Gross	153	100	1	52
– Impairment allowances	(24)			(24)
Cash and cash equivalents	3 196	3 196		
Financial assets included in non-current assets held-for-sale	186	38	139	9
– Trade receivables	29	26		3
– Other receivables	10	4		6
– Cash and cash equivalents	8	8		
– Loans to associates: Tumelo	139		139	
Current – gross	170		170	
Current – impairment allowances	(31)		(31)	
Total financial assets at amortised cost	7 109	6 802	155	152

[1] *Lease receivables are within the scope of the impairment requirements of IFRS 9.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

At 31 December 2021	Company Total Rm	Company Performing Rm	Company Non-performing Rm
ESD loans	181	181	
– Non-current – gross	99	91	8
– Non-current – impairment allowances	(8)		(8)
– Current – gross	114	92	22
– Current – impairment allowances	(24)	(2)	(22)
Vendor finance loan	300	300	
– Non-current – gross	300	300	
– Non-current – impairment allowance	(7)	(7)	
– Current – gross	7	7	
Other financial assets at amortised cost	145	145	
– Current – gross	154	150	4
– Current – impairment allowances	(9)	(5)	(4)
Other receivables	1	1	
– Gross	2	1	1
– Impairment allowances	(1)		(1)
Indebtedness to subsidiaries	324	324	
– Gross	326	326	
– Impairment allowances	(2)	(2)	
Non-interest-bearing loans to subsidiaries	357	357	
– Current – gross	417	368	49
– Current – impairment allowances	(60)	(11)	(49)
Interest-bearing loans to subsidiaries	5 699	5 699	
– Non-current – gross	4 841	4 841	
– Current – gross	858	858	
Treasury facilities with subsidiaries	4 803	4 803	
– Gross	4 836	4 836	
– Impairment allowances	(33)	(33)	
Cash and cash equivalents	4 868	4 868	
Total financial assets at amortised cost	16 678	16 678	

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.1 Exposure to credit risk continued

	Company		
At 31 December 2020	Total Rm	Performing Rm	Non-performing Rm
ESD loans	184	184	
– Non-current – gross	79	79	
– Current – gross	106	106	
– Current – impairment allowances	(1)	(1)	
Other financial assets at amortised cost			
– Current – gross	4		4
– Current – impairment allowances	(4)		(4)
Other receivables	7	7	
– Gross	11	7	4
– Impairment allowances	(4)		(4)
Indebtedness to subsidiaries	639	639	
– Gross	720	720	
– Impairment allowances	(81)	(81)	
Non-interest-bearing loans to subsidiaries	353	353	
– Current – gross	425	360	65
– Current – impairment allowances	(72)	(7)	(65)
Interest-bearing loans to subsidiaries	7 338	7 338	
Treasury facilities with subsidiaries	4 887	4 887	
Cash and cash equivalents	1 864	1 864	
Total financial assets at amortised cost	15 272	15 272	

16.3.3.4.2 Trade and other receivables age analysis

	Group					
		Current		Past due		
At 31 December 2021	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm	>180 days Rm
Trade receivables	2 626	2 488	119	2	17	
– Gross	2 647	2 508	120	2	17	
– Impairment allowances	(21)	(20)	(1)			
Other receivables	75	42		33		
– Gross	101	43	3	37	18	
– Impairment allowances	(26)	(1)	(3)	(4)	(18)	
Total carrying amount of trade and other receivables	2 701	2 530	119	35	17	

	Group					
		Current		Past due		
At 31 December 2020	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm	>180 days Rm
Trade receivables	2 698	2 516	68	111		3
– Gross	2 793	2 530	69	112		82
– Impairment allowances	(95)	(14)	(1)	(1)		(79)
Other receivables	129	98	2	1		28
– Gross	153	98	2	2	7	44
– Impairment allowances	(24)			(1)	(7)	(16)
Total carrying amount of trade and other receivables	2 827	2 614	70	112		31

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.2 Trade and other receivables age analysis continued

	Company				
		Current		Past due	
At 31 December 2021	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm
Other receivables	1	1			
– Gross	2	1			1
– Impairment allowances	(1)				(1)
Indebtedness by subsidiaries	324	324			
– Gross	326	326			
– Impairment allowances	(2)	(2)			
Total carrying amount of trade and other receivables	325	325			

	Company				
		Current		Past due	
At 31 December 2020	Total Rm	1 to 30 days Rm	31 to 60 days Rm	61 to 90 days Rm	90 to 180 days Rm
Other receivables	7	5	1	1	
– Gross	11	5	1	1	4
– Impairment allowances	(4)				(4)
Indebtedness by subsidiaries	639	639			
– Gross	720	720			
– Impairment allowances	(81)	(81)			
Total carrying amount of trade and other receivables	646	644	1	1	

16.3.3.4.3 Credit quality of financial assets

The credit quality of cash and cash equivalents has been assessed by reference to external credit ratings available from Fitch, Standard & Poor's and Global credit rating.

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Cash and cash equivalents				
Fitch ratings				
F1+	302	262	9	22
Standard & Poor's ratings				
A-1+	6 014	2 707	4 765	1 812
A-1	632	83		
A-2	23		23	
BB-		30		30
Global credit rating				
AA(za)	71	114	71	
Total cash and cash equivalents[1]	7 042	3 196	4 868	1 864

[1] *Excludes overdraft and cash and cash equivalents classified as non-current assets held-for-sale.*

16.3 FINANCIAL INSTRUMENTS continued

16.3.3 Risk management continued

16.3.3.4 Credit risk management continued

16.3.3.4.3 Credit quality of financial assets continued

Fitch ratings

F1 Highest credit quality
+ denotes any exceptionally strong credit feature

Standard & Poor's

A-1+ Highest certainty of payment
A-1 Very high certainty of payment
A-2 Satisfactory capacity to meet its financial commitments
BB– Speculative in nature with some exposure to risk

Global credit ratings

AA(za) Very strong financial security characteristics relative to other issuers in the same country

16.3.3.4.4 Collateral

No collateral was held by the group as security, nor any other enhancements over the financial assets during the years ended 31 December 2021 and 31 December 2020.

Guarantees

The group did not obtain financial or non-financial assets by taking possession of collateral it holds as security or calling on guarantees during the financial year ended 31 December 2021 and 31 December 2020. The guarantees issued relate to operational liabilities (refer note 13.4.1 on contingent liabilities).

16.3.4 Loan commitments

Loan commitments have been granted to the following parties:

	Group		Company	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Total loan commitment[1]	250	981		731
Mafube[2]	250	250		
Insect Technology[3]		731		731

[1] *The loan commitments were undrawn for the reporting periods.*
[2] *Revolving credit facility available for five years, ending 2023.*
[3] *A US$50 million term loan facility available from 2020 to 2025 subject to certain conditions being met. On 31 January 2021 the term loan facility lapsed.*

CHAPTER 17:
Subsidiaries

CHAPTER 17:
Subsidiaries

17.1. ACCOUNTING POLICIES RELATING TO SUBSIDIARIES

17.1.1 Subsidiaries

The results of subsidiaries are included for the duration of the period in which the group exercises control over the subsidiary. All intercompany transactions and resultant profits or losses between 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 within the group.

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

The company carries its investments in subsidiaries at cost, including transaction costs and initial fair value measurements of contingent consideration arising on acquisition date, less accumulated impairment losses. Subsequent fair value remeasurements of the contingent consideration are recognised in profit or loss.

For company, when a business combination is achieved in stages, the acquisition date carrying value of the previously held equity interest is accumulated with the cost of the new equity interest acquired.

For group, business combinations are accounted for using the acquisition method as at the acquisition date, that is, when control is transferred to Exxaro. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, Exxaro takes into consideration potential voting rights that are currently exercisable. The group also assesses existence of control where it does not have more than 50% of the voting power, but is able to govern the financial and operating policies by virtue of de facto control.

Changes in ownership interest(s) in subsidiaries without change in control

Transactions with NCIs that do not result in loss of control are accounted for as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired in the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on the acquisition of NCIs are also recognised in equity.

Foreign operations

The results and financial position of all the group entities (none of which have the currency of a hyper-inflationary economy at or for the year ended 31 December 2021 and 2020) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

Exchange differences on translation are accounted for in OCI. These differences will be recognised in profit or loss upon realisation of the underlying operation.

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

Investments in share-based payments

Exxaro has an agreement with its subsidiary companies to charge the subsidiaries for the equity compensation share schemes (Refer Chapter 14) granted to the subsidiaries' employees.

The movement in equity in the company's financial statements relating to the recharge of the share-based payments of subsidiaries is accounted for against investments in subsidiaries and is eliminated on consolidation for group reporting purposes.

17.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

17.2.1 Control assessment for consolidation of subsidiaries

In applying IFRS 10 *Consolidated Financial Statements* management has applied judgement in assessing whether Exxaro has control over certain entities where the percentage shareholding does not provide control. Specifically:

(a) Eyesizwe

Exxaro has control over Eyesizwe even though the group only holds a 24.9% (2020: 24.9%) equity interest in Eyesizwe which is made up of the company's equity interest of 14.9% and a further 10% held equally by Exxaro ESOP SPV and Exxaro Community NPC. Eyesizwe was created and designed for the sole purpose of providing Exxaro with BEE credentials and as a structure to hold Exxaro shares. The implementation of the Replacement BEE Transaction protects the stability of Exxaro's operations reinforcing the sustainability of relationships with key stakeholders, equips Exxaro for growth by positioning Exxaro with market-leading empowerment credentials in the South African mining sector and creates long-term value for shareholders.

Exxaro is able to direct the strategic direction of Eyesizwe and, as per the transaction agreements, Eyesizwe's MoI may not be amended or replaced without Exxaro's prior written consent. All these points indicate that Exxaro has been involved from the inception of the Replacement BEE Transaction, to ensure that the design and operation of Eyesizwe achieves the purpose for which it was created. Eyesizwe can also not dispose of Exxaro shares without the prior consent of Exxaro. Exxaro has significant exposure to the variable returns of Eyesizwe, through the creation and maintenance of the BEE credentials during the lock-in period as well as through the equity investment held by Exxaro in Eyesizwe. All these factors have been considered in determining that, even though Exxaro does not have majority voting rights in Eyesizwe, it still has control over Eyesizwe and consolidates the results of Eyesizwe in the group results of Exxaro.

17.2.2 Non-controlling interests

Eyesizwe NCI

As part of the Replacement BEE Transaction, implemented in 2017, Eyesizwe was incorporated and established as the empowerment vehicle to hold 30% of Exxaro shares. A portion of the 30% acquired interest was financed by means of an issue of Eyesizwe preference shares to various financial institutions. The shares held by Eyesizwe in Exxaro were provided as security for these preference shares.

The outstanding preference share obligation was settled early by Eyesizwe during October 2019 as a result of the dividends which were received from Exxaro. This has resulted in Eyesizwe's other shareholders (IDC and Eyesizwe SPV Proprietary Limited) becoming true equity holders as they are now exposed to both upside and downside risk in relation to the Exxaro shares.

From an Exxaro group perspective this resulted in the recognition of NCIs for the Eyesizwe's other shareholders. On initial recognition the NCI in Eyesizwe was recognised at the net asset value of the consolidated Eyesizwe results. Subsequent to initial recognition, the NCI share in the movement of profit or loss and OCI.

Cennergi group NCI

Management view the share-based payment transactions with the BEE minority shareholders of the SPVs as in-substance share options that are equity-settled in terms of IFRS 2 *Share-based Payment* (IFRS 2). These options were not yet exercised at the acquisition date of Cennergi in 2020. The following key assumptions and techniques were applied in valuing the minority in-substance share options.

Non-controlling interest: In-substance share options		
Valuation technique:	A Monte Carlo Simulation technique has been applied, discounting the distribution streams using a risk-free rate of return.	
Key assumptions:	Risk-free curve – ZAR swap zero curve semi-annual:	Year 1 to 5: 5.31% to 6.20% Year 6 to 16: 7.03% to 10.28%
	Lock-in discount percentage:	33% for community BEE parties 25% for other BEE party
	Standard deviation tolerance:	7% for Amakhala SPV 10% for Tsitsikamma SPV

The arrangements in place with the minority shareholders of Tsitsikamma SPV and Amakhala SPV represent fully vested share-based payment arrangements under IFRS 2. The arrangements are viewed as in-substance share options with the minorities, as the minorities are not exposed to downside risk nor benefit, until such time as the underlying shareholder financing of the arrangements have been settled.

In 2020, for purposes of the acquisition, Cennergi, as the acquiree, had outstanding share-based payment transactions that Exxaro, as the acquirer, did not replace, cancel or exchange as part of the acquisition. The share-based payment transactions vested and therefore the share-based payment transactions of Cennergi were accounted for as part of the NCIs in the Cennergi group acquisition and measured at their market-based measure in terms of IFRS 2.

17.3 TRANSACTIONS WITH SUBSIDIARIES

17.3.1 Revenue

For the year ended 31 December	Note	Company 2021 Rm	Company (Restated)[1] 2020 Rm
Corporate services rendered to the following subsidiaries:	6.1.2	1 669	1 765
Exxaro Coal Proprietary Limited		1 126	1 219
Exxaro Coal Mpumalanga Proprietary Limited		409	368
Exxaro Coal Central Proprietary Limited		71	145
Other subsidiaries		63	33
Dividend revenue from the following subsidiaries:[1]	6.1.2	9 565	569
Cennergi Proprietary Limited		184	344
Exxaro Holdings Proprietary Limited[2]		6 964	
Eyesizwe (RF) Proprietary Limited		617	225
Rocsi Holdings Proprietary Limited[2]		1 800	
Interest revenue from the following subsidiaries:[1]	6.1.2	2 389	2 002
From interest-bearing back-to-back loans receivable with:		360	572
– Exxaro Coal Proprietary Limited		360	572
From interest-bearing acquisition loans receivable with:		8	6
– Exxaro ESOP SPV RF Proprietary Limited		2	2
– Exxaro Matla Setshabeng Development NPC		6	4
From treasury facilities receivable with:		2 021	1 424
– Exxaro Coal Proprietary Limited		1 404	887
– Exxaro Coal Mpumalanga Proprietary Limited		383	278
– Exxaro Coal Central Proprietary Limited		217	237
– Other subsidiaries		17	22

[1] *Refer note 19.2.*
[2] *Relates to dividends in specie.*

17.3 TRANSACTIONS WITH SUBSIDIARIES continued

17.3.2 Finance costs

		Company	
For the year ended 31 December	Note	2021 Rm	2020 Rm
Interest expense on treasury facilities payable with:	12.1.2	(1 752)	(1 308)
Exxaro Coal Proprietary Limited		(1 426)	(1 006)
Exxaro Coal Mpumalanga Proprietary Limited		(148)	(43)
Exxaro Coal Central Proprietary Limited		(175)	(259)
Other subsidiaries		(3)	

17.4 SUMMARY OF INVESTMENTS IN SUBSIDIARIES

	Company					
	Gross carrying amount		Accumulated impairment losses[1]		Net carrying amount	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Unlisted subsidiaries equity shares	10 609	10 568	(2 744)	(2 744)	7 865	7 824
Share-based payments	513	566			513	566
Investments in subsidiaries	11 122	11 134	(2 744)	(2 744)	8 378	8 390

[1] *The accumulated impairment losses relates to Exxaro Australia Holdings Proprietary Limited.*

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES

		Company					
		Gross carrying amount		Impairment allowances		Net carrying amount	
At 31 December	Note	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Indebtedness by subsidiaries							
Non-current		4 841	1 297			4 841	1 297
Interest-bearing loans receivable[1]	10.3.2	4 841	1 297			4 841	1 297
Current		6 437	12 073	(95)	(153)	6 342	11 920
Interest-bearing loans receivable[1]	10.3.2	858	6 041			858	6 041
Non-interest-bearing loans receivable[2]	10.3.2	417	425	(60)	(72)	357	353
Interest-bearing treasury facilities receivable[3]	10.3.2	4 836	4 887	(33)		4 803	4 887
Indebtedness by subsidiaries[4]	6.2.3	326	720	(2)	(81)	324	639
Total indebtedness by subsidiaries		11 278	13 370	(95)	(153)	11 183	13 217
Indebtedness to subsidiaries							
Current		(9 746)	(16 071)			(9 746)	(16 071)
Non-interest-bearing loans payable	12.1.7	(76)	(8 672)			(76)	(8 672)
Interest-bearing treasury facilities payable	12.1.7	(9 670)	(7 399)			(9 670)	(7 399)
Total indebtedness to subsidiaries		(9 746)	(16 071)			(9 746)	(16 071)
Net indebtedness to subsidiaries		1 532	(2 701)	(95)	(153)	1 437	(2 854)

[1] *The credit risk relating to these subsidiary parties is considered very low and therefore seen as performing. There have been no changes to this assessment as these parties are continuously performing against contractual terms and are in a good liquidity position. The ECL has been considered to be immaterial.*
[2] *Relates mainly to impairment allowances on Gravelotte Iron Ore Company Proprietary Limited of R49 million (2020: R49 million) and Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited of R6 million (2020: R4 million). In 2021, the impairment allowance of R16 million on Exxaro Mountain Bike Academy NPC was reversed as the loan was waived.*
[3] *2021: Relates mainly to an impairment allowance on Exxaro Coal Mpumalanga Proprietary Limited of R29 million.*
[4] *2020: Relates to an impairment allowance on Exxaro Coal Central Proprietary Limited of R81 million.*

Terms and conditions of indebtedness

Non-interest bearing loans
The loans are unsecured, have no fixed terms of repayment terms and are repayable within 1 month of a demand notice.

Interest-bearing treasury facilities
Treasury facilities are unsecured, have no repayment terms and are repayable on demand. Interest is charged at money market rates.

Indebtedness (trade related)
Certain subsidiaries are charged corporate service fees which are repayable within 30 days.

17.5 SUMMARY OF INDEBTEDNESS BY/(TO) SUBSIDIARIES continued

Interest-bearing loans receivable

Interest-bearing loans receivable, and their redemption profiles, comprise of:

	Company					
	Acquisition loans receivable[1]		Back-to-back loans receivable[2]		Net carrying amount	
As at 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Back-to-back loans receivable						
Exxaro Coal Proprietary Limited			5 576	7 150	5 576	7 150
Acquisition loans receivable						
Exxaro Community NPC	90	137			90	137
Exxaro ESOP SPV	33	51			33	51
Total unsecured loans	123	188	5 576	7 150	5 699	7 338
Summary by financial year of redemption:						
Less than six months			633	41	633	41
Six to 12 months			225	6 000	225	6 000
Between one and two years			450	411	450	411
Between two and three years			1 093	55	1 093	55
Between three and four years			450	643	450	643
Between four and five years			2 725		2 725	
More than five years	123	188			123	188
Total unsecured loans	123	188	5 576	7 150	5 699	7 338

[1] *The acquisition loans receivable are unsecured, are repayable by no later than 10 years of the loan being granted and bear interest at a rate of 70% of Prime Rate.*

[2] *The back-to-back loans receivable have similar terms as agreed with external lenders (excluding the project financing) except for interest, which is charged based on 3-month JIBAR plus a margin. Refer note 12.1.4 for detailed terms and conditions of the external borrowings, excluding the project financing.*

The fixed margin percentage at the end of the reporting period on the back-to-back loans is summarised as follows:
Revolving credit facility: 2.76% (2020: 3.80%)
Bullet term loan facility: 2.51% (2020: 3.40%)
Amortised term loan facility: 2.41% (2020: 4.00%)
Bond R357 million: 1.65% (2020: 1.65%)
Bond R643 million: 1.89% (2020: 1.89%)

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND INDEBTEDNESS BY/(TO) SUBSIDIARIES

	Portfolio changes in 2021				Investment in subsidiaries			
					Investment in shares[1]		Investment in share-based payments	
	Type[2]	Date	Country[3]	Nature of business[4]	2021 R	2020 R	2021 Rm	2020 Rm
Direct investments								
Aquicure Proprietary Limited			RSA	W	100	100		
Cennergi Proprietary Limited			RSA	H	2 437 330 415	2 437 330 415		
Cennergi Holdings Proprietary Limited[5]			RSA	H	1	1		
Colonna Properties Proprietary Limited			RSA	B	2 518 966	2 518 966		
Exxaro Australia Holdings Proprietary Limited[6]			AUS	H	648 703 847	608 115 666		
Exxaro Base Metals and Industrial Minerals Holdings Proprietary Limited			RSA	H	1	1		
Exxaro Chairman's Fund			RSA	S				
Exxaro Coal Central Proprietary Limited	S	3 Sep	RSA	M				
Exxaro Coal Proprietary Limited			RSA	M	1 868 325 864	1 868 325 864	263	290
Exxaro Employee Empowerment Participation Scheme Trust[7]			RSA	S				
Exxaro Employee Empowerment Trust[7]			RSA	S				
Exxaro Environmental Rehabilitation Fund			RSA	S				
Exxaro ESOP SPV RF Proprietary Limited			RSA	S	100	100		
Exxaro FerroAlloys Proprietary Limited			RSA	A	1	1	3	5
Exxaro Foundation			RSA	S				
Exxaro Holdings Proprietary Limited			RSA	H	459 517 297	459 517 297		
Exxaro Insurance Company Limited			RSA	I	312 000 000	312 000 000		
Exxaro Matla Setshabeng Development NPC			RSA	S				
Exxaro Mountain Bike Academy NPC			RSA	E				
Exxaro People Development Initiative NPC			RSA	E				
Exxaro Properties (Groenkloof) Proprietary Limited[7]			RSA	B	1	1		
Eyesizwe (RF) Proprietary Limited (2021: 14.86%; 2020: 14.86%)			RSA	S	1 482 907 923	1 482 907 923		
Ferroland Grondtrust Proprietary Limited			RSA	F	2	2	5	5
Gravelotte Iron Ore Company Proprietary Limited			RSA	B	1	1		
K2018621183 (SA) Proprietary Limited	S	31 Dec	RSA	C		100		
Kumba Resources Management Share Trust			RSA	S				
Rocsi Holdings Proprietary Limited			RSA	H	653 722 945	653 722 945		
Total direct investments in subsidiaries					7 865 027 464	7 824 439 383	271	300

[1] *At 100% holding except where otherwise indicated.*
[2] *D – Deregistered, N – Formation of new entity, S – Sold.*
[3] *Country of incorporation: RSA — Republic of South Africa, AUS — Australia, NE — Netherlands, SW — Switzerland.*
[4] *M — Mining, B — Property, C — Service, E — Not for profit company, F — Farming, H — Holdings, I — Insurance, A — Manufacturing, P — Exploration, S — Structured entity, W – Water, MIC – Mines in closure, R – Renewable Energy.*
[5] *Previously named Clipeus Investment Holdings Proprietary Limited.*
[6] *Loan capitalisation in 2021 (2020: loan capitalisation and cash-share subscriptions).*
[7] *Entity in process of liquidation or deregistration.*

	Total indebtedness receivable/(payable)			
	Total indebtedness by		(Total indebtedness to)	
Type of indebtedness	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Non-interest-bearing	41	35		
Non-interest-bearing	92	23		
Non-interest-bearing	213	215		
Total		352		(182)
– Treasury facility				(182)
– Current indebtedness		352		
Total	5 779	7 350	(9 665)	(7 217)
– Interest-bearing	5 576	7 150		
– Treasury facility			(9 665)	(7 217)
– Current indebtedness	203	200		
Interest-bearing	33	51		
Total	232	186		
– Treasury facility	228	180		
– Current indebtedness	4	6		
Non-interest-bearing		75		
Current indebtedness	2	2		
Interest-bearing	90	137		
Non-interest-bearing				(1)
Total	255	233		
– Treasury facility	254	233		
– Current indebtedness	1			
Non-interest-bearing	3			
Non-interest-bearing		5		
Non-interest-bearing			(76)	(70)
Non-interest-bearing	8			(1 612)
	6 748	8 664	(9 741)	(9 082)

17.6 DETAILED ANALYSIS OF INVESTMENTS IN SUBSIDIARIES AND INDEBTEDNESS BY/(TO) SUBSIDIARIES continued

	Portfolio changes in 2021				Investment in subsidiaries			
					Investment in shares[1]		Investment in share-based payments	
	Type[2]	Date	Country[3]	Nature of business[4]	2021 R	2020 R	2021 Rm	2020 Rm
Indirect investments								
Amakhala Emoyeni RF Proprietary Limited (95%)			RSA	R				
Coastal Coal Proprietary Limited			RSA	MIC			3	3
Cennergi Services Proprietary Limited	N	22 Jun	RSA	C				
Lephalale Solar Proprietary Limited	N	22 Jun	RSA	R				
K2021699383 (South Africa) Proprietary Limited	N	22 Jun	RSA	R				
Dorstfontein Coal Mines Proprietary Limited (2020: 74%)	S	3 Sep	RSA	M				
Exxaro Australia Proprietary Limited			AUS	M & P				
Exxaro Base Metals International BV	D	8 Oct	NE	H				
Exxaro Coal Mpumalanga Proprietary Limited			RSA	M			240	264
Exxaro International BV	D	7 Oct	NE	H				
Exxaro International Trading AG			SW	C			(1)	(1)
Exxaro Reductants Proprietary Limited			RSA	A				
Forzando Coal Mines Proprietary Limited (2020: 74%)	S	3 Sep	RSA	M				
Ithemba Farm Proprietary Limited	S	3 Sep	RSA	F				
Mmakau Coal Proprietary Limited (2020: 49%)	S	3 Sep	RSA	P				
Newcastle Coal Mines Proprietary Limited	S	3 Sep	RSA	MIC				
The Vryheid (Natal) Railway Coal and Iron Company Proprietary Limited			RSA	MIC				
Exxaro Employee Share Ownership Trust			RSA	S				
Jeka Mphamvu Proprietary Limited			RSA	R				
Tsitsikamma RF Proprietary Limited			RSA	R				
Total indirect investment in subsidiaries							242	266
Total investment in subsidiaries					7 865 027 464	7 824 439 383	513	566

[1] At 100% holding except where otherwise indicated.
[2] D – Deregistered, N – Formation of new entity, S – Sold.
[3] Country of incorporation: RSA — Republic of South Africa, AUS — Australia, NE — Netherlands, SW — Switzerland.
[4] M — Mining, B — Property, C — Service, E — Not for profit company, F — Farming, H — Holdings, I — Insurance, A — Manufacturing, P — Exploration, S — Structured entity, W – Water, MIC – Mines in closure, R – Renewable Energy.

	Total indebtedness receivable/(payable)			
	Total indebtedness by		(Total indebtedness to)	
Type of indebtedness	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Treasury facility	88	66		
Total	4 302	4 456		
– Treasury facility	4 189	4 378		
– Current indebtedness	113	79		
Non-interest-bearing				(6 989)
Treasury facility			(5)	
Treasury facility	44	30		
Current indebtedness	1			
	4 435	4 553	(5)	(6 989)
	11 183	13 217	(9 746)	(16 071)

17.7 NON-CONTROLLING INTERESTS

17.7.1 Composition and analysis of non-controlling interests

Subsidiaries with non-controlling interests	Nature of business	Principal place of business	Voting power of non-controlling interests 2021 %	2020 %
Subsidiaries with equity shareholders:				
Eyesizwe	BEE structured entity	Gauteng	75.14	75.14
Dorstfontein[1]	Mining	Mpumalanga		26.00
Tsitsikamma SPV	Renewable energy	Eastern Cape	16.00	16.00
Subsidiaries with share option holders:				
Tsitsikamma SPV	Renewable energy	Eastern Cape	9.00	9.00
Amakhala SPV	Renewable energy	Eastern Cape	10.00	10.00

[1] *Dorstfontein's NCI has been derecognised on the disposal of the ECC operation. Refer to note 8.3 .*

	Profit/(loss) allocated to NCI		OCI allocated to NCI		Dividends and distributions paid to NCI		Accumulated NCI	
	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Subsidiaries with equity shareholders:	3 706	1 943	(200)	(71)	(3 124)	(978)	10 412	9 197
Eyesizwe	3 714	2 118	(209)	(71)	(3 119)	(978)	10 214	9 828
Dorstfontein[1]	(10)	(175)						(823)
Tsitsikamma SPV	2		9		(5)		198	192
Subsidiaries with share option holders:					(7)	(1)	136	143
Tsitsikamma SPV					(7)	(1)	95	102
Amakhala SPV							41	41
Total NCIs	3 706	1 943	(200)	(71)	(3 131)	(979)	10 548	9 340

[1] *Dorstfontein's NCI has been derecognised on the disposal of the ECC operation. Refer to note 8.3.*

Movement analysis of NCI:	Note	NCI equity shareholders 2021 Rm	2020 Rm	NCI share option holders 2021 Rm	2020 Rm	Total NCI 2021 Rm	2020 Rm
At beginning of the year		9 197	8 111	143		9 340	8 111
Total comprehensive income		3 506	1 872			3 506	1 872
Share of profit for the year		3 706	1 943			3 706	1 943
Share of OCI for the year		(200)	(71)			(200)	(71)
Transactions with owners of subsidiary companies		(3 124)	(978)	(7)	(1)	(3 131)	(979)
Dividends paid		(3 124)	(978)			(3 124)	(978)
Distribution to NCI share option holders				(7)	(1)	(7)	(1)
Changes in ownership interest		833	192		144	833	336
Acquisition of subsidiaries[1]					147		147
Initial recognition of NCI[2]			192		(3)		189
– Share option settlement price					115		
– Derecognise share option					(118)		
Divestment of subsidiary[3]		833				833	
At end of the year		10 412	9 197	136	143	10 548	9 340

[1] *Relates to the recognition of the NCI share option holders within the Cennergi group arising from the Cennergi business combination at acquisition.*
[2] *2020 Recognition of the 16% minority interest in Tsitsikamma SPV upon the exercise of the share option.*
[3] *Dorstfontein's NCI has been derecognised on the disposal of the ECC operation. Refer to note 8.3*

17.7 NON-CONTROLLING INTERESTS continued

17.7.2 Summarised financial information of non-controlling interests

The summarised financial information set out below relates to the subsidiaries in which NCI share.

	Eyesizwe		Dorstfontein		Tsitsikamma SPV	
At 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Statements of financial position						
Non-current assets	13 555	13 078		1 272	3 507	3 706
Current assets	7	3		162	214	194
Total assets	13 562	13 081		1 434	3 721	3 900
Non-current liabilities				4 451	2 407	2 641
Current liabilities	1	1		148	79	57
Total liabilities	1	1		4 599	2 486	2 698
Net assets/(liabilities)	13 561	13 080		(3 165)	1 235	1 202
Accumulated NCIs	10 214	9 828		(823)	198	192

	Eyesizwe		Dorstfontein[1]		Tsitsikamma SPV[2]	
For the year ended 31 December	2021 Rm	2020 Rm	2021 Rm	2020 Rm	2021 Rm	2020 Rm
Statements of comprehensive income						
Revenue			905	1 190	509	
Net operating (loss)/profit	(2)	(2)	39	(755)	197	
Income from equity-accounted investments	4 945	2 821				
Net finance costs			(75)	(113)	(167)	
Income tax benefit/(expense)				194	(16)	
Profit/(loss) for the year	4 943	2 819	(36)	(674)	14	
Other comprehensive (loss)/income	(278)	(96)			53	
Total comprehensive income/(loss) for the year	4 665	2 723	(36)	(674)	67	
Profit/(loss) attributable to:	4 943	2 819	(36)	(674)	14	
Owners of the parent	1 229	701	(26)	(499)	12	
Non-controlling interests	3 714	2 118	(10)	(175)	2	
Other comprehensive (loss)/income attributable to:	(278)	(96)			53	
Owners of the parent	(69)	(25)			44	
Non-controlling interests	(209)	(71)			9	
Total comprehensive income/(loss) attributable to:	4 665	2 723	(36)	(674)	67	
Owners of the parent	1 160	676	(26)	(499)	56	
Non-controlling interests	3 505	2 047	(10)	(175)	11	
Statements of cash flows						
Cash flows from operating activities	(4 154)	(1 303)	(103)	(305)	186	
Cash flows from investing activities	4 157	1 301	(90)	(282)		
Cash flows from financing activities			189	566	(175)	
Net increase/(decrease) in cash and cash equivalents	3	(2)	(4)	(21)	11	
Dividends paid to non-controlling interests:	(3 119)	(978)			(5)	

[1] *2021: Includes results for the period ended 3 September 2021.*
[2] *16% NCI holder shares in results from 1 January 2021.*

CHAPTER 18:
Compliance

CHAPTER 18:
Compliance

18.1 BASIS OF PREPARATION

18.1.1 Statement of compliance

The group and company annual financial statements as at and for the year ended 31 December 2021 have been prepared under the supervision of Mr PA Koppeschaar CA(SA), SAICA registration number: 00038621. The principal accounting policies of Exxaro Resources Limited (the company) and group of companies (the group), as well as the disclosures made in these annual financial statements comply with IFRS and IFRIC interpretations, effective for the financial year, as well as the SAICA Financial Reporting Guidelines (as issued by the Accounting Practices Committee), the Financial Reporting Pronouncements (as issued by the Financial Reporting Standards Council), the Companies Act (applicable to companies reporting under IFRS) and the Listings Requirements.

18.1.2 Basis of measurement

The annual financial statements are prepared on the historical cost basis, except for the revaluation to fair value of financial instruments, share-based payments and biological assets. The annual financial statements are prepared on the going-concern basis.

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

Management considers key financial metrics and loan covenants compliance in its approved medium-term budgets, together with its existing borrowing facilities, to conclude that the going concern assumption used in compiling the annual financial statements is relevant.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant, are disclosed within the relevant chapters.

The accounting policies applied for 2021 are consistent with those applied in 2020, except for the company accounting policy on revenue (refer note 19.2).

18.1.3 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 as those of a single entity.

18.1.4 Judgements made by management

Judgements, apart from those involving estimates, have been made by management in the process of applying the accounting policies. Details of these judgements have been included within the relevant chapters.

18.1.5 Key assumptions made by management in applying accounting policies

Key assumptions concerning the future, and other key sources of estimation uncertainty at the financial year end, may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year if the assumption or estimation changes significantly. Details of key assumptions and key sources of estimation uncertainty have been included within the relevant chapters.

18.1.6 Impact of the COVID-19 pandemic on financial reporting

The financial reporting impacts of the COVID-19 pandemic have been assessed by management. Its impacts, though not material, have been factored in as a routine consideration in making relevant estimates, assumptions and contractual evaluations (in particular revenue recognition, inventory valuations, impairment assessments and assumptions applied when determining allowances for ECLs).

In addition, the impact of the COVID-19 pandemic has been considered as part of the solvency and liquidity evaluations of the group which included stress testing of our financial position. These evaluations did not indicate any risk of the group breaching its debt covenants, but rather that the group has sufficient liquidity to withstand an interruption to operations and remain a going concern for the foreseeable future.

18.2 ADOPTION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

18.2.1 New, amended and revised standards adopted during 2021

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The group's main IBOR exposure at 31 December 2021 was indexed to JIBAR. The South African Reserve Bank has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, and a suitable alternate for South Africa is only expected to be announced in a few years' time. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

The group's corporate treasury function monitors and manages the group's transition to alternative rates. The group's corporate treasury function evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The group's corporate treasury function reports to the board of directors and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risks arising from IBOR reform.

Non-derivative financial liabilities

The group's IBOR exposures to non-derivative financial liabilities as at 31 December 2021 were the secured project financing and unsecured refinanced loan facility indexed to JIBAR as well as the unsecured bond indexed to JIBAR.

Derivatives

The group holds interest rate swaps for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to JIBAR.

Hedge accounting

The group's hedged items and hedging instruments as at the reporting date are indexed to JIBAR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with counterparties as usual.

There is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. As a result, the group continues to apply the amendments to IFRS 9 issued in September 2019 (Phase 1) to those hedging relationships.

18.2.2 New, amended and revised standards not yet adopted

New accounting standards, amendments to accounting standards and interpretations issued which are relevant to the group, but not yet effective on 31 December 2021, have not been adopted. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date. The group continuously evaluates the impact of these standards and amendments. The effect of the implementation of the new, amended or revised standards are not expected to have a material impact, although assessments of the effect of the implementation of these new, amended or revised standards are ongoing.

18.3 EVENTS AFTER THE REPORTING PERIOD

Details of the final dividend are provided in note 5.5.

Subsequent to 31 December 2021, the following notable event occurred:

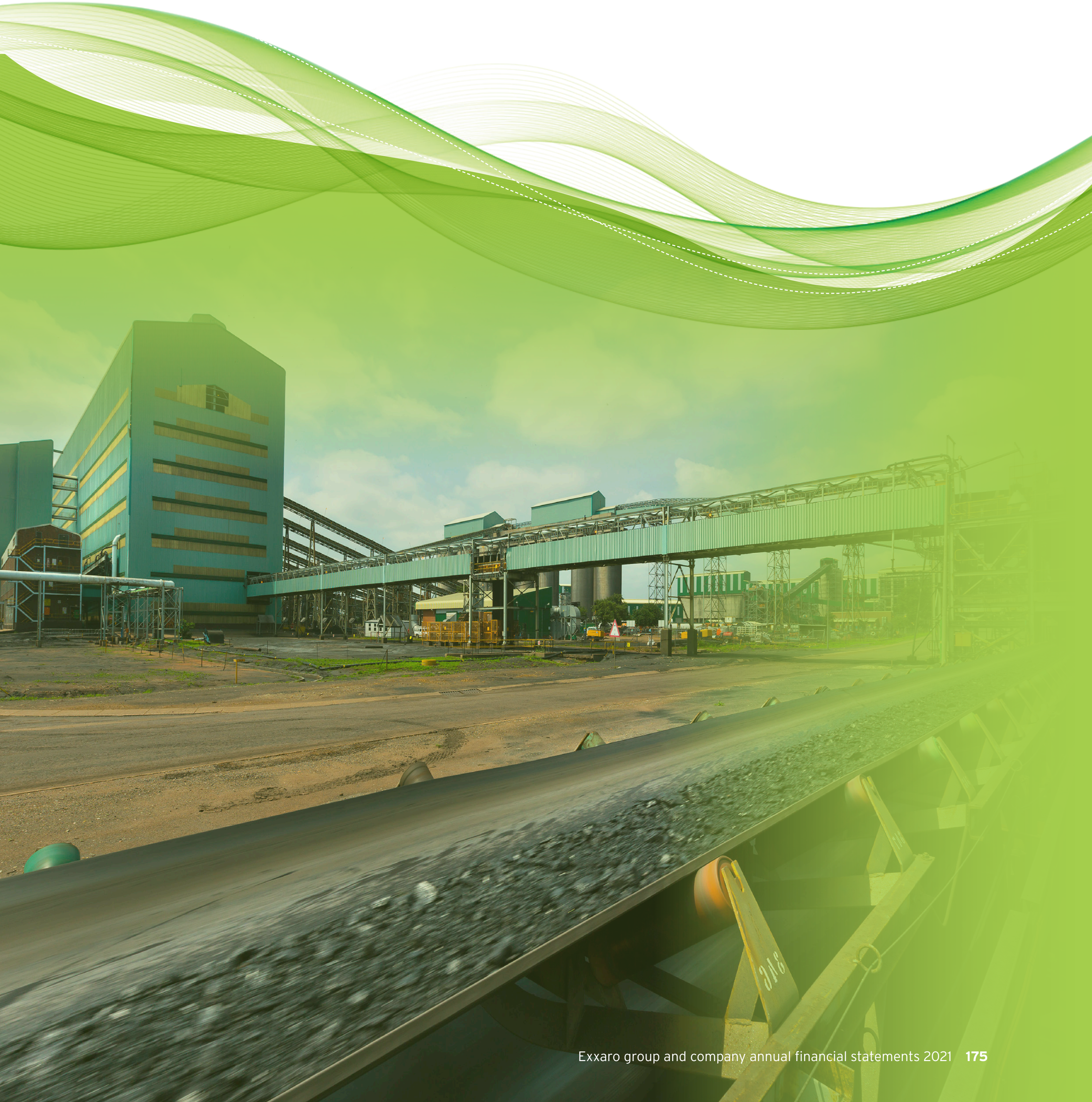
South African corporate income tax rate change

On 23 February 2022, the Minister of Finance reiterated their intention to reduce the South African corporate income tax rate from 28% to 27%, which was initially announced in the 2021 Budget Speech. The rate change will be effective for years of assessment beginning on or after 1 April 2022. Management views this rate change to be substantively enacted based on current guidance in the market.

It is estimated that the impact of this rate change will amount to approximately R282 million for group and R2 million for company, representing a 1% decrease of the deferred tax balance at 31 December 2021.

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report, not otherwise dealt with in this report.

CHAPTER 19:
Changes to comparative information



CHAPTER 19:
Changes to comparative information

19.1 RE-PRESENTATION OF GROUP COMPARATIVE INFORMATION

The group statement of comprehensive income (and related notes) for the year ended 31 December 2020 has been re-presented for the following items:

19.1.1 Impairment charges

The impairment charges line item has been separated on the face of the group statement of comprehensive income in order to provide presentations on a disaggregated basis between non-current operating assets and equity-accounted investments.

The impairment charges on equity-accounted investments were previously presented as part of the impairment charges line item on the face of the group statement of comprehensive income within net operating profit. Details of the composition of the impairment charges were presented in the note. The face of the group statement of comprehensive income has been re-presented to separately present the impairment charges on equity-accounted investments outside of net operating profit alongside the presentation of the corresponding share of income of equity-accounted investments to provide a more appropriate net operating profit subtotal line item that reflects the operations of the group.

The impairment of the re-presentation was as follows:

	Group		
	Previously presented	Re-presented	Impact
Statement of comprehensive income			
Impairment charges of non-current operating assets[1] (Rm)	(1 882)	(1 378)	504
Net operating profit (Rm)	4 293	4 797	504
Impairment charges of equity-accounted investments (Rm)		(504)	(504)

[1] *Previously referred to as "impairment charges".*

19.1.2 Discontinued operations

On 23 February 2021, Tronox Holdings plc exercised its “flip-in” call option over Exxaro’s 26% shareholding in Tronox SA, for which Tronox Holdings plc delivered 7 246 035 newly issued Tronox Holdings plc Ordinary Shares to Exxaro on 24 February 2021. This resulted in the derecognition of the investment in Tronox SA and the recognition of an additional investment in Tronox Holdings plc.

It was concluded that the related performance and cash flow information be presented as a discontinued operation as the investment in Tronox SA represents a separate geographical area of operation of the TiO_2 reportable segment.

The investment in Tronox SA has been identified as a discontinued operation and accordingly the comparative information has been re-presented.

The impact of the re-presentation was as follows:

	Group		
	Previously presented	Re-presented	Impact
Statement of comprehensive income			
Share of income of equity-accounted investments (Rm)	6 411	6 204	(207)
Profit for the year from discontinued operations (Rm)	69	276	207
Attributable earnings per share			
Continuing operations			
– Basic (cents)	2 880	2 817	(63)
– Diluted (cents)	2 880	2 817	(63)
Discontinued operations			
– Basic (cents)	22	85	63
– Diluted (cents)	22	85	63

19.2 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION

The company statement of comprehensive income as well as the company statement of cash flows for the year ended 31 December 2020 have been restated.

Revenue is defined as the income arising during the course of an entity's ordinary activities. Previously, income including dividends and interest received from subsidiaries, associates and JVs was not included within revenue. As an investment holding company, not only would the income generated from services provided, but also from the investments and loans provided be considered to be income from ordinary activities. As a result, the comparative information has been restated to include: dividends received from subsidiaries; associates and JVs; as well as interest received on loans provided to subsidiaries; associates and JVs, as part of revenue. Due to this restatement a decision has been made to remove the operating activity sub-total from the company's statement of comprehensive income.

Due to the restatement in the company's statement of comprehensive income, the presentation of dividends received from subsidiaries, associates and JVs as investing activities in the statement of cash flows has been reconsidered. As operating activities are defined as the principal revenue producing activities, the statement of cash flows has been restated to present these dividends as operating activities and included as part of the cash generated by operations line item. Interest received on loans advanced to subsidiaries, associates and JVs continue to be presented as operating activities but have now been presented as part of the cash generated by operations line item.

The error did not have an impact on group.

The impact of the restatement was as follows:

	Company		
Statement of comprehensive income	**Previously presented Rm**	**Adjustment Rm**	**Restated Rm**
Revenue	1 765	5 834	7 599
– Revenue from contracts with customers	1 765		1 765
– Dividend revenue		3 832	3 832
– Interest revenue		2 002	2 002
Operating expenses	(1 797)		(1 797)
Impairment charges of non-current assets	(2 235)		(2 235)
Finance income	2 115	(2 002)	113
Finance costs	(2 054)		(2 054)
Income from financial assets	4		4
Dividend income from equity-accounted investments	3 263	(3 263)	
Dividend income from investments in subsidiaries	569	(569)	
Profit before tax	1 630		1 630
Income tax benefit	127		127
Profit for the year from continuing operations	1 757		1 757
Profit for the year from discontinued operations	825		825
Profit for the year	2 582		2 582
Total comprehensive income for the year	2 582		2 582

19.2 RESTATEMENT OF COMPANY COMPARATIVE INFORMATION continued

Statement of cash flows	Company Previously presented Rm	Adjustment Rm	Restated Rm
Cash flows from operating activities	1 194	4 121	5 315
Cash generated by operations	1 355	6 123	7 478
Settlement of contingent consideration	(198)		(198)
Interest paid	(2 042)		(2 042)
Interest received	2 115	(2 002)	113
Tax paid	(36)		(36)
Cash flows from investing activities	2 758	(4 121)	(1 363)
Property, plant and equipment acquired	(101)		(101)
Increase in ESD loans	(41)		(41)
Decrease in ESD loans	61		61
Deferred consideration paid for acquisition of associates	(349)		(349)
Acquisition of subsidiaries	(1 739)		(1 739)
Increase in investment in subsidiaries	(36)		(36)
Increase in non-interest-bearing loans to subsidiaries	(5)		(5)
Increase in non-interest-bearing loans from subsidiaries[1]	220	(220)	
Increase in interest-bearing loans to subsidiaries	(81)		(81)
Proceeds from disposal of subsidiaries	924		924
Dividend income received from equity-accounted investments	3 263	(3 263)	
Dividend income from financial assets and non-current assets held-for-sale	73	(69)	4
Dividend income from subsidiaries	569	(569)	
Cash flows from financing activities	(2 778)		(2 778)
Interest-bearing borrowings raised	1 750		1 750
Lease liabilities paid	(17)		(17)
Dividends paid	(4 337)		(4 337)
Shares acquired in the market to settle share-based payments	(174)		(174)
Net increase in cash and cash equivalents	1 174		1 174

[1] *Reclassified R220 million from investing activities to operating activities as it relates to the non-interest-bearing loans payable to subsidiaries. These loans are not considered to form part of the borrowing activities of the company.*

Significant judgements and assumptions made by management in applying the related accounting policies

Dividend income and interest income from financial assets, including cash and cash equivalents, are considered not to represent ordinary activities of the company, but rather ancillary activities that are incidental.

CHAPTER 20:
Annexures

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Annexures

ANNEXURE 1: SHAREHOLDER ANALYSIS

2.1 Exxaro public and non-public shareholding 2021

Shareholder type	Number of holders	% of total shareholders	Number of shares	% of issued share capital
Non-public shareholders	17	0.09	108 384 050	31.03
Eyesizwe[1]	1	0.005	107 612 026	30.81
Kumba Management Share Trust	1	0.005	158 218	0.05
Directors	3	0.02		
– PA Koppeschaar[2]			75 196	0.02
– MDM Mgojo[2]			146 617	0.04
– Dr N Tsengwa[2]			85 201	0.02
Subsidiary directors	12	0.06	306 792	0.09
Public shareholders	19 570	99.91	240 921 042	68.97
Total	19 587	100.00	349 305 092	100.00

[1] *Includes indirect shareholding through Eyesizwe of the following directors:*

– MDM Mgojo	*4 671 041*	*1.34*
– VZ Mntambo	*4 448 839*	*1.27*

[2] *Includes direct shareholdings and DBP pledged shares.*

2.2 Registered shareholder spread

In accordance with the Listings Requirements, the following table confirms the spread of registered shareholders at 31 December 2021:

Shareholder spread	Number of holders	% of total shareholders	Number of shares	% of issued share capital
1 to 1 000 shares	16 750	85.52	2 758 033	0.79
1 001 to 10 000	1 845	9.42	5 981 508	1.71
10 001 to 100 000	717	3.66	23 985 546	6.87
100 001 to 1 000 000 shares	229	1.17	60 385 007	17.29
1 000 001 shares and above	46	0.23	256 194 998	73.34
Total	19 587	100	349 305 092	100

2.3 Substantial investment management and beneficial interests above 3%

Through regular analysis of Strate registered holdings, and pursuant to the provisions of section 56 of the Companies Act, the following shareholders held 3% or more (directly and indirectly) of the issued share capital as at 31 December 2021:

Shareholder spread	Number of shares	% of issued share capital
Investment management shareholdings		
Eyesizwe	107 612 026	30.81
Public Investment Corporation (PIC)	42 683 131	12.22
Coronation Asset Management Proprietary Limited	26 660 247	7.63
M&G plc	26 127 094	7.48
Total	203 082 498	58.14
Beneficial shareholdings		
Eyesizwe	107 612 026	30.81
Government Employees Pension Fund	52 179 761	14.94
Total	159 791 787	45.75

ANNEXURE 2: DEFINITIONS

The following definitions are to be used in a group context.

Attributable cash flow per ordinary share

Cash flow from operating activities after adjusting for participation of NCIs therein, divided by the weighted average number of ordinary shares in issue during the year.

Capital employed

Total equity plus net debt minus non-current financial assets minus other non-current assets.

Cash and cash equivalents

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

Current ratio

Current assets divided by current liabilities.

Dividend cover

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

Dividend yield

Dividends per ordinary share divided by closing share price per ordinary share.

Earnings per ordinary share

Attributable earnings basis

Earnings attributable to owners of the parent (Exxaro) divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Headline earnings basis

Headline earnings divided by the weighted average number of ordinary shares in issue (net of treasury shares) during the year.

Effective interest rate

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

Financing cost cover

EBIT cover

Net operating profit before interest and tax, divided by net financing costs.

EBITDA cover

Net operating profit before interest, tax, depreciation, amortisation, impairment charges or impairment reversals and net loss or gain on disposal of assets and investments (including translation differences recycled to profit or loss), divided by net financing costs.

ANNEXURE 2: DEFINITIONS continued

Good leavers
A participant whose employment with employer companies is terminated due to:
(i) the Participant's:
- retrenchment
- retirement
- death
- serious disability or incapacitation
- promotion out of the relevant qualifying category; or

(ii) the employer company ceasing to form part of the employer companies, provided that any transfer of employment by a participant to another employer company shall not be deemed to constitute any terminations of employment by a participant with the employer companies.

Headline earnings
Earnings attributable to owners of the parent (Exxaro) adjusted for gains or losses on items of a capital nature, recognising the tax and NCIs impact on these adjustments.

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

Interest-bearing debt
Sum of interest-bearing borrowings and lease liabilities. The calculations include the respective items classified as non-current liabilities held-for-sale.

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

Materiality
Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users of general purpose financial statements make, on the basis of those financial statements, which provide financial information about the reporting entity.

Materiality is determined on a case-by-case basis depending on the facts and circumstances pertaining to the item, transaction, adjustment, information or event (matter) taking into account both qualitative and quantitative factors.

Net assets
Total assets less total liabilities less NCIs which equates to equity of owners of the parent (Exxaro).

Net debt or cash
Net debt or cash is calculated as the sum of interest-bearing borrowings, lease liabilities and overdraft less cash and cash equivalents. The calculations include the respective items classified as non-current assets and liabilities held-for-sale.

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

Net operating profit
Net operating profit or loss equals revenue less operating expenses, major once-off expense items and impairment charges, plus impairment reversals and major non-recurring income items. Major non-recurring items are presented separately on the statement of comprehensive income between operating profit or loss and net operating profit or loss which relate to significant corporate activities.

Non-core items
Gains and losses on transactions adjusted in the calculation of headline earnings.

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

Operating margin
Net operating profit as a percentage of revenue.

Operating profit
Operating profit or loss equals revenue less operating expenses before impairment charges or reversals and major non-recurring items.

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

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

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

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

Return on ordinary shareholders' equity
Attributable earnings
Earnings attributable to owners of the parent (Exxaro) as a percentage of average equity attributable to owners of the parent (Exxaro).

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

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

Total asset turnover
Revenue divided by average total assets.

WANOS in issue
The number of shares in issue at the beginning of the year, increased by shares issued during the year, decreased by share repurchases during the year and treasury shares, weighted on a time basis for the period in which they have participated in the earnings of the group.

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

ANNEXURE 3: ADMINISTRATION

Registered office
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Telephone +27 12 307 5000
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Company registration number: 2000/011076/06
JSE share code: EXX
ISIN code: ZAE000084992
ADR code: EXXAY
Bond code: EXX04
ISIN NO: ZAG000160326
Bond code: EXX05
ISIN NO: ZAG000160334

Group company secretary
AT Ndoni

Independent external auditor
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Commercial bankers
ABSA Bank Limited

Corporate law advisers
Inlexso Proprietary Limited

United States ADR Depository
The Bank of New York Mellon
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New York NY10286
United States of America

Lead equity sponsor and debt sponsor
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Joint equity sponsor
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SAICA registration number: 0038621

ANNEXURE 4: SHAREHOLDERS' DIARY

Financial year end	31 December
Annual general meeting	May
Reports and accounts published	
Announcement of annual results	March
Integrated report and annual financial statements	April
Interim report for the six months ended 30 June	August
Distribution	
Final dividend declaration	March
Payment	April/May
Interim dividend declaration	August
Payment	September/October

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