

Kumba Iron Ore Limited Company

Notes to the annual financial statements

for the year ended 31 December

| Rand million | 2008 | 2007 |
|--|------|------|
| 1. Long-term financial assets | | |
| Investment in SIOC Community Development SPV (Pty) Limited | 458 | 458 |

Fully paid up redeemable preference shares at the option of the issuer.

| Rand million | 2008 | 2007 |
|---|------------|------------|
| 2. Investments in subsidiaries | | |
| Reflected as non-current assets | | |
| Shares at cost | 3 | 3 |
| Share-based payment expenditure* | 58 | 32 |
| Long-term loans to subsidiaries | 323 | 73 |
| Reflected as non-current liability | | |
| Long-term loans from subsidiaries | – | (6) |
| Net investments in subsidiaries | 384 | 102 |

* Arising from the accounting for share-based payment transactions in terms of IFRIC 11, IFRS 2 Group and Treasury share transactions.

Investments in subsidiaries are accounted for at cost.

For further details of interest in significant subsidiaries, refer annexure 1.

| Rand million | 2008 | 2007 |
|--|----------|-----------|
| 3. Deferred tax asset | | |
| Balance at beginning of year | 12 | – |
| Current year charge per the income statement | (4) | 12 |
| Balance at end of year | 8 | 12 |
| Deferred tax asset attributable to the following temporary differences: | | |
| Share-based payments | 4 | 5 |
| Estimated tax losses | 7 | 6 |
| Other | (3) | 1 |
| Total deferred tax assets | 8 | 12 |

| Rand million | 2008 | 2007 |
|---|-------------|------|
| 4. Cash and cash equivalents | | |
| Cash | 40 | 74 |
| Currency analysis of cash and cash equivalents | | |
| Rand | 40 | 74 |

Credit risk

Cash and cash equivalents are held in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong.

Fair value of cash and cash equivalents

The carrying amount of cash and cash equivalents approximate their fair value because of the short period to maturity of these instruments.

| Number of shares | 2008 | 2007 |
|---|--------------------|--------------------|
| 5. Share capital and share premium | | |
| Authorised | | |
| 500,000,000 ordinary shares of R0.01 each | 500,000,000 | 500,000,000 |
| Issued | | |
| 319,461,421 (2007: 317,103,501) ordinary shares of R0.01 each | 319,461,421 | 317,103,501 |
| Reconciliation of issued shares | | |
| Number of shares at beginning of year | 317,103,501 | 313,594,471 |
| Number of ordinary shares issued | 2,357,920 | 3,509,030 |
| Number of shares at end of year | 319,461,421 | 317,103,501 |

For further detail refer to the group annual financial statements.

| Rand million | 2008 | 2007 |
|--|-------------|-----------|
| Reconciliation of share capital and premium | | |
| Share capital | 3 | 3 |
| Share premium | 219 | 96 |
| | 222 | 99 |

Kumba Iron Ore Limited Company

Notes to the annual financial statements continued

for the year ended 31 December

| Rand million | Cash-settled share-based payments |
|---|-----------------------------------|
| 6. Provisions | |
| Balance at beginning of year | 24 |
| Amounts utilised against provision | (2) |
| Cash-settled share-based payments | (9) |
| Balance at 31 December 2008 | 13 |
| Cash-settled share-based payments | 24 |
| Balance at 31 December 2007 | 24 |
| Expected timing of future cash flows | |
| 1 to 2 years | 13 |

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executives and senior managers who participated in the Kumba Resources Management Share Option Scheme were able to receive certain grants of options which would have been made in the ordinary course of operations. The human resources and remuneration committee of Kumba Resources consequently awarded "phantom options" to the affected participants. These phantom options were transferred to Kumba on unbundling.

| Rand million | 2008 | 2007 |
|--|----------|-------------|
| 7. Operating (expenses)/income | | |
| Cost by type | | |
| Salaries and wages | (20) | (13) |
| Share-based payments | 6 | (20) |
| Pension and medical costs | (1) | (1) |
| Foreign currency revaluations and fair value adjustments | 13 | – |
| General expenses | (7) | (10) |
| Cost recoveries | 10 | 10 |
| | 1 | (34) |
| The above costs are stated after including: | | |
| Directors' emoluments | 10 | 6 |
| Executive directors | | |
| – Emoluments received as directors of the company | 6 | 5 |
| – Bonuses and cash incentives | 2 | – |
| Non-executive directors – emoluments as directors of the company | 2 | 1 |

| Rand million | 2008 | 2007 |
|--------------------------------------|-------|-------|
| 8. Income from investments | | |
| Dividends received from subsidiaries | 3,847 | 1,384 |

| Rand million | 2008 | 2007 |
|-------------------------|------------|-----------|
| 9. Taxation | | |
| Charge to income | | |
| Deferred tax | (4) | 12 |
| Total | (4) | 12 |

| % | 2008 | 2007 |
|--|-------------|-------------|
| Reconciliation of taxation rates | | |
| Taxation as a percentage of profit before taxation | 0.1 | (0.8) |
| Taxation effect of | | |
| Exempt income | 27.9 | 29.5 |
| Other | – | 0.3 |
| Standard tax rate | 28.0 | 29.0 |

| Rand million | 2008 | 2007 |
|--|-------------|-------------|
| 10. Cash utilised by operations | | |
| Operating profit/(loss) | 1 | (34) |
| Adjusted for: | | |
| Foreign currency revaluations and fair value adjustments | (13) | – |
| Movement in provisions | (11) | – |
| Share-based payment expense | 3 | 20 |
| Cash flows utilised in operations | (20) | (14) |
| Working capital movements | | |
| Increase in other receivables | (2) | (13) |
| Increase in other payables | 13 | 4 |
| | (9) | (23) |

| Rand million | 2008 | 2007 |
|---|----------|----------|
| 11. Normal taxation paid | | |
| Amounts unpaid at beginning of year | – | 39 |
| Amount paid during the year | (7) | (39) |
| Current tax asset at end of year | 7 | – |