

Kumba Iron Ore Limited Company

Notes to the annual financial statements

for the year ended 31 December

R'000	2009	2008
1. Long-term financial assets		
Investment in SIOC Community Development SPV (Pty) Limited	458	458
Non-current long-term financial assets	122	458
Current portion of long-term financial assets	336	–
	458	458

Fully paid up preference shares redeemable at the option of the issuer. R336 million of this investment was redeemed on 6 January 2010. Refer to note 12 'Post-balance sheet events'.

Currency analysis of long-term financial assets

All long-term financial assets of the company are denominated in Rand.

Credit risk

The preference shares are issued by a special purpose entity controlled by the company with the capacity for payment of financial commitments considered strong.

Fair value of cash and cash equivalents

The carrying amount of the preference shares approximates its fair value because it is fully paid up and does not earn interest.

Rand million	2009	2008
2. Investments in subsidiaries		
Reflected as non-current assets		
Shares at cost	3	3
Share-based payment expenditure ¹	175	58
Long-term loans to subsidiaries ²	261	323
Net investments in subsidiaries	439	384

1. Arising from the accounting for share-based payment transactions in terms of IFRIC 11: IFRS 2, Group and Treasury Share Transactions.
2. The loan to Kumba Holdings West Africa BV of R112 million was impaired following Kumba's termination of the group's exploration projects in West Africa.

Investments in subsidiaries are accounted for at cost.

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

Rand million	2009	2008
3. Deferred tax asset		
Balance at beginning of year	8	12
Current year charge per the income statement	(7)	(4)
Balance at end of year	1	8
Deferred tax assets are attributable to the following temporary differences		
Share-based payments	–	4
Estimated tax losses	–	7
Other	1	(3)
Total deferred tax assets	1	8

Rand million	2009	2008
4. Cash and cash equivalents		
Cash in bank	84	40
Currency analysis of cash and cash equivalents		
Rand	84	40

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



Number of shares	2009	2008
5. Share capital and share premium		
Authorised		
500,000,000 ordinary shares of R0.01 each	500,000,000	500,000,000
Issued		
Ordinary shares of R0.01 each	320,415,081	319,461,421
Reconciliation of issued shares		
Number of shares at beginning of year	319,461,421	317,103,501
Number of ordinary shares issued	953,660	2,357,920
Number of shares at end of year	320,415,081	319,461,421

For further detail refer to the group annual financial statements.

Rand million	2009	2008
Reconciliation of share capital and premium		
Share capital	3	3
Share premium	267	219
	270	222

Rand million	2009	2008
6. Provisions		
Cash-settled share-based payments		
Balance at beginning of year	13	24
Amounts utilised against provision	(10)	(2)
Cash-settled share-based payments	(2)	(9)
Balance at 31 December	1	13
Expected timing of future cash flows		
1 to 2 years	1	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 not 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	2009	2008
7. Operating (expenses)/income		
Cost by type		
Salaries and wages	(20)	(20)
Share-based payments	(6)	6
Pension and medical costs	(1)	(1)
Foreign currency revaluations and fair value adjustments	(13)	13
General charges	(1)	(7)
Impairment of investment (Refer to note 2)	(112)	-
Cost recoveries	13	10
	(140)	1

The above costs are stated after including:

Directors' emoluments	11	10
Executive directors		
– Emoluments received as directors of the company	7	6
– Bonuses and cash incentives	2	2
Non-executive directors - emoluments as directors of the company	2	2

Rand million	2009	2008
8. Income from investments		
Dividends received from subsidiaries	6,469	3,847

Kumba Iron Ore Limited Company

Notes to the annual financial statements

for the year ended 31 December (continued)

Rand million	2009	2008
9. Taxation		
Charge to income		
SA normal tax		
Current year	4	–
Prior year	2	–
Deferred tax	7	4
Total	13	4

%	2009	2008
Reconciliation of taxation rates		
Taxation as a percentage of profit before taxation	0.2	0.1
Taxation effect of:		
Capital profits	(0.5)	–
Disallowable expenditure	(0.1)	–
Exempt income	28.5	27.9
Prior year underprovision	(0.1)	–
Standard tax rate	28.0	28.0

Rand million	2009	2008
10. Cash utilised by operations		
Operating (loss)/profit	(140)	1
Adjusted for:		
Foreign currency revaluations and fair value adjustments	13	(13)
Movement in provisions	(12)	(11)
Share-based payment expense	8	3
Cash flows from operations	(131)	(20)
Working capital movements:		
Increase in other receivables	(3)	(2)
Increase in other payables	13	13
	(121)	(9)

Rand million	2009	2008
11. Taxation paid		
Amounts unpaid at beginning of year	(7)	–
Amounts charged to the income statement	6	–
Amount paid during the year	(22)	(7)
Current tax asset at end of year	(23)	(7)

12. Post-balance sheet events

On 6 January 2010, the SIOC Community Development SPV (Proprietary) Limited redeemed R336 million of the total preference shares of R458 million issued to Kumba Iron Ore Limited on 29 November 2006.

The directors are not aware of any other matter or circumstance arising since the end of the year and up to the date of this report, not otherwise dealt with in this report.