The increase in cash unit cost was driven by a few key factors:

- Inflationary pressures principally on labour, contract mining and corporate office costs, which together account for in excess of 50% of the mine's cost structure;
- The inflationary pressures were eased through a 36% decrease in diesel prices during the year from R10.40 per litre to R6.70 per litre. Diesel now contributes only 11% to the mine's cash cost (2008: 15%);
- Waste volumes mined increased by 28% or 18.0Mt to 82.1Mt in 2009;
- However, the impact of the additional mining activities was more than offset by the benefit of additional production from the ramp-up of the jig plant that contributed a further 5.7Mt of production volume for the year.

In real terms unit cash costs were down 4%.

Operating profit

Despite benchmark iron ore export prices decreasing on average by 40% for the 2009/2010 iron ore year, R12.9 billion operating profit was achieved for the year, a reduction of only R633 million or 5% from the R13.5 billion in 2008. Kumba's operating profit margin of 55% (61% from mining activities) for the year, decreased by 8% from 63% (69% from mining activities) in 2008.

Asset optimisation and procurement

Kumba has implemented a number of revenue enhancing and operating efficiency initiatives as part of the asset optimisation programme which realised R1.6 billion operating profit benefits during the year. Except for certain once-off revenue enhancement activities that contributed R503 million for 2009, these initiatives are recurring in nature and will assist in enhancing the financial performance of the group and protecting operating profit margins in the future.

Revenue enhancing initiatives include, increasing tonnes on which shipping services are provided, decreasing maintenance shutdown intervals of the DMS plant and producing and selling niche products to enhance the premia received. The flagship Sishen Mine transformation programme (Bokamoso) launched during the year has started to deliver visible results in the area of operating efficiency improvements. During the year the mining truck and shovel fleet achieved a 28% efficiency improvement and the mine's drilling fleet a 4% improvement. Further value from this programme will be unlocked as it progresses to the next key stages of the production process of the mine.

Further benefits of R603 million were realised through savings in operating costs and capital expenditure through the participation in the One Anglo Supply Chain programme.

Capital expenditure

The group incurred capital expenditure on property, plant and equipment of R4.0 billion for the year (2008: R2.6 billion) for the expansion of its operations (R2.8 billion), mainly on the development of Kolomela Mine (R2.5 billion), and R1.2 billion (2008: R841 million) to maintain its operations. At Sishen Mine R1.0 billion capital expenditure was incurred on the programme to increase the mining fleet capacity by approximately 20% to cater for increased waste mining volumes. R3.2 billion of capital expenditure (including R189 million of capitalised mining operating expenses) has been incurred to date on Kolomela Mine, of which R2.5 billion was incurred during the year ended 31 December 2009.

Net debt

The group continued to generate substantial cash from its operations, with R12.6 billion generated during the year. These cash flows were used to pay taxation of R3.2 billion and dividends of R8.2 billion (including dividends of R1.8 billion paid to minority shareholders of Sishen Iron Ore Company (SIOC)). Capital expenditure of R4 billion was incurred which resulted in the group's net debt position increasing to R3 billion as at 31 December 2009.

Rand million	**2009**	2008
Long-term interest-bearing borrowings	**3,859**	977
Short-term interest-bearing borrowings	**55**	2,881
Total	**3,914**	3,858
Cash and cash equivalents	**(891)**	(3,810)
Net debt	**3,023**	48
Total equity	**8,956**	8,506
Interest cover (times)	**43**	33

During the year Kumba secured a R3.2 billion term loan to refinance the R2.8 billion revolving facility that was maturing in November 2009. To date R3.8 billion of the total R8.6 billion term debt facilities has been drawn down to finance Kumba's expansion. Kumba was not in breach of any of its covenants during the year. The group had undrawn short- and long-term borrowing facilities at 31 December 2009 of R8.1 billion.