

Kumba Iron Ore Limited Company

Notes to the Annual Financial Statements

for the period ended 31 December

Rand million	2007	2006
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.		
2. INVESTMENTS IN SUBSIDIARIES		
Reflected as non-current assets		
Shares at cost	3	3
Share-based payment expenditure*	32	–
Long-term loans to subsidiaries	73	14
	108	17
Reflected as non-current liability		
Long-term loans from subsidiaries	(6)	–
Net investments in subsidiaries	102	17
* 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 to Annexure 1.		
3. DEFERRED TAX ASSET		
Current period charge per the income statement	12	–
Balance at end of period	12	–
Deferred tax asset attributable to the following temporary differences		
Share-based payments	5	–
Estimated tax losses	6	–
Other	1	–
Total deferred tax assets	12	–
4. CASH AND CASH EQUIVALENTS		
Cash	74	–
Currency analysis of cash and cash equivalents		
Rand	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 maturity of these instruments.

Number of shares	2007	2006
5. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
Ordinary shares of R0,01 each	500,000,000	500,000,000
Issued		
Ordinary shares of R0.01 each	317,103,501	313,594,471
Reconciliation of issued shares		
Number of shares at beginning of period	313,594,471	–
Number of ordinary shares issued	3,509,030	313,594,471
Number of shares at end of period	317,103,501	313,594,471
For further detail refer to the group annual financial statements.		
Rand million		
Reconciliation of share capital and premium		
Share capital	3	3
Share premium	96	–
	99	3
		Cash-settled share-based payments

6. PROVISIONS

Cash-settled share-based payments	24
Balance at 31 December 2007	24
Expected timing of future cash flows	
1 to 2 years	24

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 otherwise 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.

Kumba Iron Ore Limited Company

Notes to the Annual Financial Statements continued

for the period ended 31 December

Rand million	12 Months 2007	2 Months 2006
7. OPERATING (EXPENSES)/INCOME		
Cost by type		
Salaries and wages	(13)	(3)
Share-based payments	(20)	–
Pension and medical costs	(1)	–
General charges	(10)	–
Net profit on sale of investment	–	458
Cost recoveries	10	2
	(34)	457
The above costs are stated after including		
Net profit on disposal of investment	–	(458)
Directors' emoluments	6	3
Executive directors		
Emoluments received as directors of the company	5	1
Bonuses and cash incentives	–	1
Non-executive directors - emoluments as directors of the company	1	1
8. INCOME FROM INVESTMENTS		
Dividends received from subsidiaries	1,384	–
9. TAXATION		
Charge to income		
Deferred tax	12	–
Capital gains taxation	–	(39)
Total	12	(39)
Reconciliation of taxation rates		
	%	%
Taxation as a percentage of profit before taxation	(0.8)	8.5
Taxation effect of		
Capital profits	–	(8.5)
Receipts/accruals of a capital nature	–	29.0
Exempt income	29.5	–
Other	0.3	–
Standard tax rate	29.0	29.0

Rand million	12 Months 2007	2 Months 2006
10. CASH UTILISED BY OPERATIONS		
Operating (loss)/profit	(34)	457
Adjusted for		
Net profit on disposal of investments	–	(458)
Share-based payment expense	20	–
Cash flows from operations	(14)	(1)
Working capital movements		
Increase in other receivables	(13)	(2)
Increase in other payables	4	3
	(23)	–
11. NORMAL TAXATION PAID		
Amounts unpaid at beginning of period	39	–
Amounts charged to the income statement	–	(39)
Amount paid during the period	39	–
Amounts unpaid at end of period	–	(39)