



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL REPORT

## **Basis of preparation and accounting policies**

The condensed consolidated financial report for the year ended 31 December 2007 has been prepared in compliance with the South African Companies Act, No 61 of 1973, as amended, the Listing Requirements of the JSE Limited and International Accounting Standard 34, Interim Financial Reporting.

Except as otherwise disclosed, the accounting policies applied in the preparation of the condensed consolidated financial report are consistent with those applied for the period ended 31 December 2006, which comply with International Financial Reporting Standards (IFRS).

The pre-acquisition reserve as presented in the statement of changes in equity as at 31 December 2006 that arose from the acquisition of SIOC was reclassified to the separate reserve classes.

Kumba adopted IFRS 7, Financial Instruments: Disclosures (IFRS 7) and the related amendments to IAS 1, Presentation of Financial Statements and IFRIC 11, IFRS 2 – Group and Treasury Share transactions (IFRIC 11) with effect from 1 January 2007. IFRS 7 requires that every business disclose information on the significance of financial instruments and the nature and extent of risks arising from these financial instruments. The disclosure requirements of IFRS 7 have been applied retrospectively. The amendment to IAS 1 requires disclosure of the objectives, policies and processes for managing capital. IFRIC 11 provides guidance on applying IFRS 2, Share-Based Payment in circumstances where an entity chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation. The adoption of this standard, the related amendment and interpretation has had no effect on the financial results and financial position of Kumba.

Further disclosure will be provided in the annual report for the year ended 31 December 2007.

The condensed consolidated financial report has been prepared in accordance with the historic cost convention except for certain financial instruments and biological assets which are stated at fair value.

The condensed consolidated financial report is presented in Rand, which is Kumba's functional and presentation currency.

## Net debt

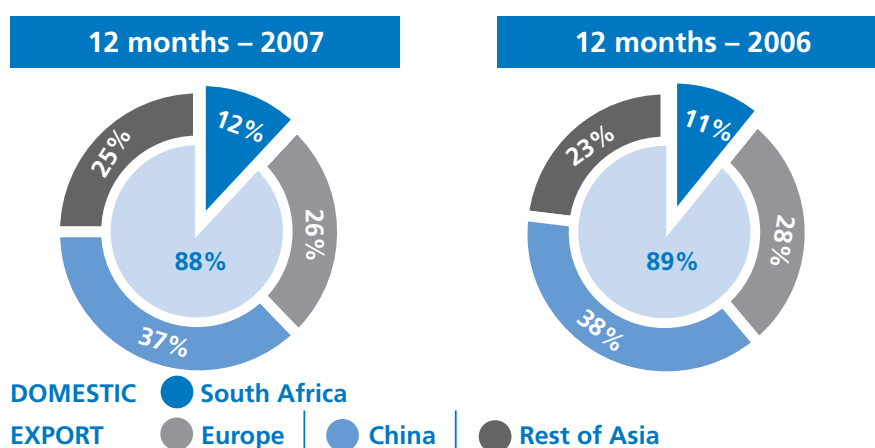
Kumba's net debt position at balance sheet dates is as follows:

	Audited 31 December 2007 Rm	Audited 31 December 2006 Rm
Long-term interest-bearing borrowings	1 040	2 840
Short-term interest-bearing borrowings	2 490	1 179
<b>TOTAL</b>	<b>3 530</b>	<b>4 019</b>
Cash and cash equivalents	(952)	(1 094)
<b>NET DEBT</b>	<b>2 578</b>	<b>2 925</b>
<b>TOTAL EQUITY</b>	<b>3 295</b>	<b>1 055</b>

## Segmental reporting

Kumba's single business segment is the mining, extraction and production of iron ore. The financial disclosures of the business segment are presented in the condensed consolidated financial report.

Kumba generated its revenue through sales to customers in the following geographical regions:





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## Significant items included in operating profit

Operating profit for the periods ended 31 December has been derived after taking into account the following items:

	Audited 12 months 2007 Rm	Unaudited* pro forma 12 months 2006 Rm	Audited 2 months 2006 Rm
Depreciation of property, plant and equipment	228	269	43
Share-based payment expenses	123	196	185
– SIOC Community Development SPV	—	153	153
– Envision	72	—	—
– Management share incentive plans•	51	43	32

•Includes share-based payment expense of R46 million for the historical Management Share Option Scheme transferred to Kumba from the unbundling from Exxaro.

## Related party transactions

During the year Kumba, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions were subject to terms that are no less favourable than those offered by third parties.

## Changes in contingent liabilities since 31 December 2006

There have been no significant changes in the contingent liabilities disclosed at 31 December 2006 that arise from the guarantees provided for environmental rehabilitation and decommissioning obligations of the Kumba Rehabilitation Trust Fund.

## Legal proceedings

Lithos has increased its claim for damages brought against Kumba from US\$196 million to US\$421 million. Kumba continues to defend the merits of the claim. Management are of the view, and have been so advised, that Lithos would be unlikely to succeed in any of its claims. The basis of quantification of the claim is fundamentally flawed.

Kumba has initiated arbitration proceedings against La Societe Des Mines De Fer Du Senegal Oriental (Miferso) and the Republic of Senegal under the Rules of Arbitration of the International Chamber of Commerce. This process is confidential in nature.

Kumba and ArcelorMittal have agreed to an arbitration process to resolve key differences of interpretation of the Sishen Supply Agreement. Arbitration proceedings were initiated in 2007 by Kumba. These proceedings are confidential in nature.

### Post-balance sheet date events

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

### Corporate governance

Kumba subscribes to the Code of Corporate Practices and Conduct as contained in the second King Report on corporate governance.

### Corporate information

The condensed consolidated financial report of Kumba and its subsidiaries for the year ended 31 December 2007 was authorised for issue on 14 February 2008.

Kumba is a limited liability company incorporated and domiciled in South Africa. The group has its primary listing on the JSE Limited.

### Independent audit opinion

The auditors, Deloitte & Touche have issued their unmodified audit opinion on the condensed consolidated financial report for the year ended 31 December 2007. A copy of their unmodified audit opinion is available for inspection at the company's registered office.

On behalf of the board

**PL Zim**

*Chairman*

**EJ Myburgh**

*Chief Executive Officer*

14 February 2008

Pretoria

## NOTICE OF FINAL DIVIDEND

At its board meeting on 13 February 2008 the directors declared a final cash dividend of 400 cents per share on the ordinary shares from profits accrued during the financial year ended 31 December 2007. The salient dates are as follows:

- Last day for trading to qualify and participate in the interim dividend (and change of address or dividend instructions) Friday, 7 March 2008
- Trading ex dividend commences Monday, 10 March 2008
- Record date Friday, 14 March 2008
- Dividend payment date Monday, 17 March 2008

Share certificates may not be dematerialised or rematerialised between Monday, 10 March 2008 and Friday, 14 March 2008, both days inclusive.

By order of the board

**VF Malie**

*Company secretary*

14 February 2008

Pretoria