

NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL STATEMENTS

1. COMPANIES ACT AND JSE LISTING REQUIREMENTS

Compliance with the Companies Act No 61 of 1973 as well as the Listing Requirements of the JSE has been maintained throughout the reporting period.

2. RELATED-PARTY TRANSACTIONS

During the year the Company and its subsidiaries, 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 arranged with third parties.

3. INCREASE IN CASH RESOURCES ON ACQUISITION OF A CONTROLLING INTEREST IN SUBSIDIARY

	Rm
Cash paid on acquisition of share	(3)
Transferred to pre-acquisition reserves	(371)
Fair value of assets acquired	(374)
The assets and liabilities arising from the acquisition are as follows:	
Property, plant and equipment	3 400
Investments in joint ventures and associates	1
Financial assets	150
Biological assets	4
Cash and cash equivalents	403
Inventories	785
Trade and other receivables	912
Non-current provisions	(157)
Deferred taxation	(535)
Receiver of revenue	(358)
Trade and other payables	(1 024)
Minority	(93)
Short term borrowings	(3 114)
Fair value of net assets	374
Total purchase consideration	(3)
Less:	
Cash and cash equivalents in subsidiary acquired	403
Net cash inflow	400

4. CONTINGENT LIABILITIES

Contingent liabilities at balance sheet date not otherwise provided for in the consolidated annual financial statements, arise from a guarantee for environmental rehabilitation closure liability of R13 million and guarantee of R10 million to the Lakutshona Housing Company.

CORPORATE INFORMATION

The condensed consolidated financial statements of Kumba and its subsidiaries for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Board of Directors passed on 14 February 2007.

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

BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This condensed report complies with International Accounting Standard 34, Interim Financial Reporting, and Schedule 4 of the South African Companies Act. The Group financial results have been prepared on the historical cost basis excluding financial instruments and biological assets which are valued at fair value, and conform to International Financial Reporting Standards.

Audit opinion

The auditors, Deloitte & Touche have issued their opinion on the Group's financial statements for the year ended 31 December 2006. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the Company's registered office. These summarised financial statements have been derived from the Group financial statements and are consistent in all material respects with the Group annual financial statements.

Comparatives

The Group was formed with the completion of the Kumba Resources empowerment transaction during November 2006. Before this date, the holding company was a dormant company, with issued share capital to the value of R100 and a loan account of the same amount. No comparative information is therefore presented in this report.

Significant accounting policies

The accounting policies are consistent with those applied in the Kumba Resources Limited financial statements for the year ended 31 December 2005. The Group applied all the relevant new and revised standards and interpretations that were in issue and effective for years ended on or after 31 December 2005 other than IFRS4 relating to Thabazimbi.

Unbundling transaction

The Group was formed as part of the Kumba Resources empowerment transaction. The unbundling of Kumba was effected by way of a distribution of Kumba distribution shares (*in specie*) in terms of section 90 of the Companies Act and in accordance with section 46 of the Income Tax Act in the ratio of one Kumba distribution share for every one Kumba Resources share held at the close of business on the record date.

For accounting purposes, the transaction was treated as a transaction between commonly controlled entities, including IFRIC4 in respect of Thabazimbi and therefore all assets and liabilities were included at the respective book values at the unbundling date.

NOTES TO THE CONDENSED CONSOLIDATED GROUP FINANCIAL STATEMENTS

continued

SIOC Community Development Trust and SIOC Employee Share Purchase Scheme

SIOC Community Development Trust and SIOC Employee Share Purchase Scheme each hold a 3% share in SIOC. These two entities are treated as special purpose entities, and are therefore included in the Group consolidated results as presented in this report.

Profit before taxation for the two month period 1 November 2006 – 31 December 2006 is derived after taking the following into account:

	2006 Rm
IFRS2 fair value charge	153
Amortisation and depreciation	43
Net financing costs	36
Net realised foreign exchange losses	54
Net unrealised foreign exchange losses	31
Net realised gains on revaluation of derivative instruments	(36)
Net profit on disposal of property, plant and equipment	(4)
Consultancy fees	26
Operating lease rental expenses	12
Share based payment expenses	32

Net debt

The following schedule provides a summary of the Group's net debt position at 31 December 2006:

Net debt	Effective interest rate %	Maturity	2006 Rm
Non-current			
Revolving facility	JIBAR + 100bp	30.11.09	2 840
Current			
Revolving facility	JIBAR + 70bp	28.11.07	668
Interest on non-current facility	JIBAR + 100bp	31.05.07	34
Call facility	9,2%		477
			1 179
Total borrowings			4 019
Cash and cash equivalents			1 094
Net debt			2 925
Total shareholders' equity			1 055

Unaudited physical information		2006 2 months	2006 12 months
Iron ore			
Production	Tons thousands	5 401	31 110
Sales			
– Export	Tons thousands	3 984	21 495
– Domestic	Tons thousands	1 543	8 307
Total sales	Tons thousands	5 527	29 802

Notice of maiden dividend

On Wednesday, 14 February 2007 the directors declared a maiden dividend of 80 cents per share on the ordinary shares for the year ended 31 December 2006, as follows:

- Last day to trade to qualify for dividends
(and change of address or dividend instructions) Thursday 15 March 2007
- Ex dividend on the JSE Friday 16 March 2007
- Record date Friday 23 March 2007
- Payment date of dividends Monday 26 March 2007

Share certificates may not be dematerialised or rematerialised between Friday, 16 March 2007 and Friday, 23 March 2007, both days inclusive.

By order of the Board

Ms A van der Merwe
Company secretary

14 February 2007
Pretoria

Directors: EJ Myburgh*, VP Uren*, PL Zim, PM Baum, GS Gouws, PB Matlare, AJ Morgan,
ND Moyo, DD Mokgatle **Executive*