Annual Financial Statements 2021

KUMBA IRON ORE LIMITED

Kumba's history

General view of an 860 haul truck in the Sishen pit

Kumba is a supplier of high-quality iron ore (64.1% average Fe) to the global steel industry. We operate primarily in South Africa, with mining operations in the Northern Cape, a head office in Centurion, Gauteng, and a port operation in Saldanha Bay, Western Cape.

Our purpose is to "re-imagine mining to improve people's lives", using innovative thinking, enabling technologies and collaborative partnerships to shape an industry that is safer, more sustainable, and better harmonised with the needs of our host communities and society.

1931
Iscor's first mine established at Thabazimbi in the Limpopo province

1942
Open-pit operations commenced at Thabazimbi

1953
Sishen, our flagship operation, established in the Northern Cape province

1976
The South African government invested in the infrastructure to enable the export of iron ore from Sishen mine via the Sishen-Saldanha rail link and port facility

This opened up a new era of growth for the iron ore business

1989
Iscor is privatised

2001
Iscor unbundled into two separate companies, namely Kumba Resources and Iscor

2002
Sishen achieved ISO 14001 Environmental Management and OHSAS 18001 Health and Safety system certifications

2006
Unbundling of Kumba Resources' iron ore assets and the re-listing of Kumba Resources as Exxaro Resources and a new Company Kumba Iron Ore, fully empowered with black economic empowerment (BEE) ownership of 26%

2008
Sishen Jig plant formally opened in November 2008

Construction started on Kolomela

2011
Kolomela, first ore produced five months ahead of schedule and within budget

Maturity of the first phase of Envision (broad-based employee scheme) with 6,209 employees each receiving R576,045 (pre-tax)

2012
Unprotected strike at Sishen in the fourth quarter of 2012

2013
Finalisation of the new supply agreement with ArcelorMittal SA

Ultra-high density media separation (UHDMS) pilot plant commissioned at Sishen in the fourth quarter of 2013

Approval of the Dingleton relocation project

2014
Kumba granted the mining right for the rail properties at Sishen

47% decline in iron ore prices during the year

2015
Further 42% decline in iron ore prices – revised strategy from volume (increasing waste and production tonnes) to a value-based (cash-generating) strategy

Dividends suspended and restructuring of head office and support services at the mines

Slope failure at Thabazimbi; Board approves closure of the mine

Kumba achieved A-listing on the Climate Disclosure Project (CDP) Climate Change and Water programmes

2016
Sishen 21.4% residual mining right awarded to SIOC

Agreement reached to transfer ownership of Thabazimbi to ArcelorMittal SA

Restructuring of Sishen and significant reconfiguration of the Sishen pit

Bottoming out of the iron ore price

Maturity of Envision II; paid R75,000 per employee (after tax) in dividends; no capital pay-out due to decline in Kumba share price

2017
Kumba best performing share on the Johannesburg Stock Exchange (JSE)

Reinstate dividends

Introduced three transformation horizons to enhance our competitive position

Kolomela achieved ISO 14001 Environmental Management and OHSAS 18001 Health and Safety system certifications

2018
Approved the Tswelelopele strategy with three horizons

Transfer of Thabazimbi, including employees, assets and liabilities as well as the mining rights to ArcelorMittal SA, effective 1 November 2018

Kolomela mining right amended to include Heuningkranz prospecting right

2019
Zandrivierspoort – expiry of prospecting rights in Limpopo, the strategic focus remains in Northern Cape

2020
Covid-19 pandemic impacts not only Kumba but the entire world. Our *WeCare* response programme was implemented as a comprehensive set of risk-based prevention and control measures

Approved the Kapstevel South project

Kumba delivers strong financial performance in a buoyant commodity market, but production volumes impacted by Covid-19 restrictions

2021
Kumba remained fatality-free for more than five years, supported by our elimination of fatalities (EOF) framework

UHDMS project approved – optimal value will be achieved through life-of-mine extension and increasing product quality

Kumba awarded first place in the Sunday Times Top 100 Companies (generated shareholder returns that outperformed their listed peers)

Resettlement of Dingleton community (which began in 2014) successfully concluded

Our approach to reporting

Navigating our 2021 reports

Our integrated reporting suite comprises the following reports:

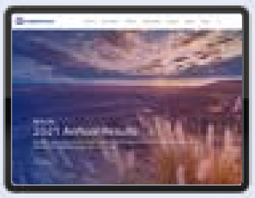
Integrated report (IR)*
A succinct review of our strategy and business model, operating context, governance and operational performance, targeted primarily at current and prospective investors. When read with the following reports, and our other regular communication channels, we believe we meet the information needs of all our stakeholders.

Annual financial statements (AFS)
Detailed analysis of our financial results, with audited financial statements, prepared in accordance with International Financial Reporting Standards (IFRS).

Sustainability report (SR)*
Reviews our approach to managing our most significant economic, social and environmental impacts, and to addressing those sustainability and environmental, social and governance (ESG) issues of interest to a broad range of stakeholders.

Ore Reserve (and Saleable Product) and Mineral Resource Report (ORMR)
Reported in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code – 2016 Edition) as required by Section 12.13 of the Johannesburg Stock Exchange listings rules.

* Published on 14 April 2022



Online
Each of these reports, with additional updated information, is available on our website:
→ www.angloamericankumba.com

Social channels

	AngloAmerican	@angloamerican
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Caption for cover image:
Plant Operator, Jodene Jubeida Haasen, in the stacker reclaimer section of the Kolomela process plant.

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Directors' declaration

The Kumba Iron Ore Limited (Kumba or the Company or the group) Board, assisted by the Audit Committee, is ultimately responsible for the preparation, fair presentation and integrity of the audited annual financial statements and related financial information of the group, as contained in this report, the annual financial statements 2021. The Board of directors confirms that they have collectively reviewed the content of this report and approved it at its meeting on 22 February 2022, for presentation to shareholders at the next annual general meeting on 31 May 2022. The annual financial statements 2021 have been prepared under the supervision of BA Mazarura CA(SA), Chief Financial Officer.

Key features*

Disciplined capital allocation:

Attributable free cash flow of
R30.5 billion up by **47%**

ROCE of
147% up from **109%**

Final cash dividend of
R30.50 per share, total cash dividends for 2021 of **R103.20** per share

* Production and sales volumes, prices and C1 costs are reported in wet metric tonnes (wmt). Kumba product has approximately 1.6% moisture. The comparatives have been restated as Kumba previously reported on a dry metric tonne (dmt) basis.

Strong sustainability performance:

Five years and seven months
of fatality-free production

Zero new cases of occupational diseases

Over **six years**
without any level 3 – 5 environmental incidents

R88.9 billion
of shared value created

R36 million
of Covid-19 community support

Value-focused growth

Average realised FOB export price of
US$161/tonne,
18% above benchmark

Cost savings of
R0.9 billion, R4.1 billion
saved since 2018

Strong EBITDA margin of
63% up from **57%**

Closing net cash of
R17.5 billion

Chief Financial Officer's review

Kumba delivered another strong set of results with EBITDA up 41% to R64.6 billion and attributable free cashflow of R30.5 billion, as we harnessed the benefit of improved production volumes and robust iron ore prices for our high-quality products and achieving further progress against our strategy.

Bothwell Mazarura
Chief Financial Officer

Enhancing shareholder returns

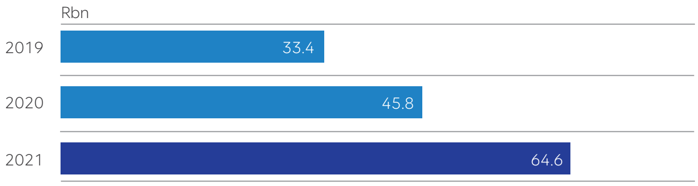
Growth of 41% to achieve record EBITDA of R64.6 billion	Achieving a cumulative R4.1 billion cost savings since 2018	Achieved an average realised FOB export price of US$161/wmt, 18% above the benchmark price	Strong headline earnings of R33.3 billion, translating into R103.65 per share	Final cash dividend of R30.50 per share, with total cash dividend of R103.20 per share

Enhancing shareholder returns and maximising value

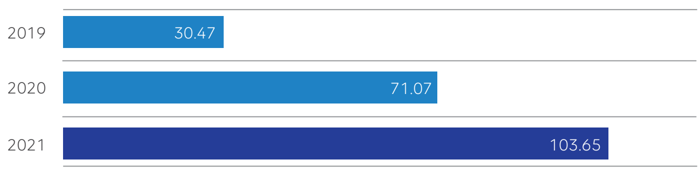
Kumba has transformed into a value-focused business through our Tswelelopele strategy of margin enhancement and ambition to extend our life-of-mine to 2040. Since implementing this strategy in 2018, our EBITDA margin has grown from 42% (2017 baseline) to 63%. The quality of our products has improved, with a Lump ratio increasing from 66% to 69%.

In conjunction with this, our price premium has grown from US$11/tonne to US$25/tonne. Cost discipline helped unlock cumulative cost savings of R4.1 billion, further supporting margin enhancement and earnings growth. The ROCE of 147% increased significantly from 109% in the previous year.

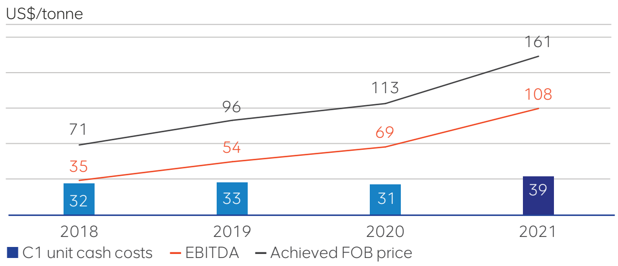
EBITDA



Headline earnings per share



Value-focused strategy driving margin gains



Delivery against key focus areas:

Our three strategic levers continued to support Kumba's strategy of unlocking its full asset potential and delivering shareholder returns:

1 Focus on margin enhancement

During 2021, Kumba delivered another set of record results with an EBITDA margin of 63%, up six percentage points from 57% in the prior period. Our marketing team contributed to a 42% increase in the average realised FOB iron ore price of US$161/wmt (2020: US$113/wmt), 18% above the benchmark price. Further margin benefits came from cost savings of R0.9 billion. However, cost and geological inflation remain a challenge. Cost discipline and operational efficiency continue to be a priority as we drive further savings initiatives across our business. We are targeting a further R1.0 billion in cost savings is planned for 2022.

Kumba's break-even price increased to US$56/tonne, up US$11/tonne from the previous year and is attributable to currency losses as the Rand strengthened against the US Dollar, cost escalation caused by a rising diesel price and mining-related inflation, higher on-mine cost driven by geological changes and increased maintenance, and stronger freight and royalty rates. This was partially offset by higher price premiums and lower SIB capital expenditure.

Our product portfolio ranges from standard and premium Lump and Fines to super-premium Lump with an average quality of 64.1% Fe and a Lump:Fine ratio of 69:31. We captured a US$22/tonne uplift from the Lump and Fe premia and a US$3/tonne market premium resulting in a higher average realised price of US$161/tonne for 2021.

Kumba's export sales to traditional markets outside of China increased to 57% (2020: 38%). China's share of export sales decreased to 43% (2020: 62%), while export sales to the EU/MENA/Americas region increased to 34% (2020:19 %) and Japan/South Korea/Taiwan to 23% (2020: 17%). The share of premium products comprised 19% of total sales (2020: 18%).

2 Strong financial discipline

Capital expenditure of R8.0 billion (2020: R6.1 billion) comprised of R3.7 billion of SIB spend, R1.7 billion of deferred stripping, and R2.6 billion of expansion capex. Capital creditors increased to R1.8 billion compared to R0.3 billion in the previous year.

The 2021 full-year cash capex net of capital creditors was R6.3 billion.

SIB capex relates to capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business. Deferred stripping spend was reduced marginally due to a reduction in the stripping ratio at Sishen, which was partially offset by an increase at Kolomela due to the higher stripping areas that we are mining. Expansion capex, included the Kapstevel South project (R2.0 billion), execution of the UHDMS project (R0.2 billion), and the balance relates to P101 operational efficiency initiatives and technology.

3 Delivering sustainable returns

Kumba's balance sheet remains resilient, with continued strong cash generation providing flexibility in a volatile market environment. Through our capital allocation framework, cash generated from operating activities will be used for our tax commitments, SIB capital and dividends to shareholders in line with our dividend policy. Excess discretionary cash flow is deployed in the best long-term interests of shareholders with consideration of further investment in the business and incremental returns to shareholders.

For 2021 Kumba delivered a ROCE of 147% (2020: 109%) and robust attributable earnings of R33.3 billion (2020: R22.8 billion).

Our dividend policy targets a pay-out range of between 50 and 75% of headline earnings to shareholders. Shareholder returns are prioritised while maintaining a strong flexible capital structure that protects the balance sheet from market volatility and ensures that an appropriate level of capital is allocated to life extension projects and long-term growth prospects.

With Kumba's substantial cash flow generation of R65.0 million, demonstrating the success of our Tswelelopele strategy and tailwinds from strong iron ore prices and premia in the first half of 2021, the headline earnings per share for the year were R103.65 (2020: R71.07). The Board declared a final cash dividend of R30.50 per share (2020: R41.30), resulting in a total cash dividend for the year of R103.20 per share (2020: R60.90). This equates to 100% of headline earnings for 2021.

Chief Financial Officer's review continued

2021 Financial performance

→ **The analysis of our performance drivers should be viewed together with the strategy** on pages 54 to 71 and 92 to 95 of the IR.

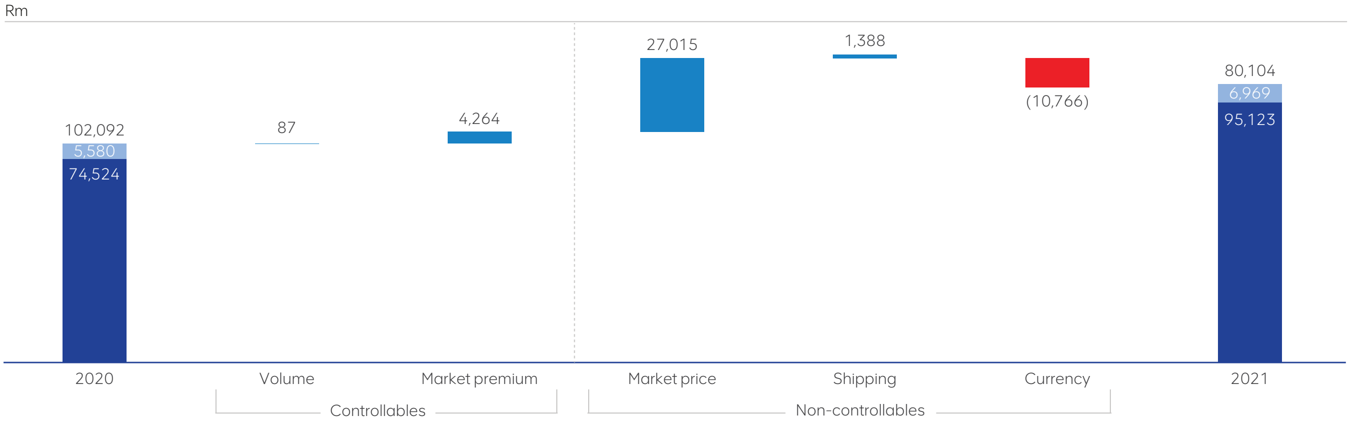
Revenue – benefit of higher prices offset by currency

Total revenue increased by 27% to R102.1 billion compared to R80.1 billion for 2020, mainly as a result of a 42% increase in the average realised iron ore price of US$161/tonne (2020: US$113/tonne), partially offset by a stronger Rand/US$ exchange rate of R14.79/US$1 (2020: R16.47/US$1). Shipping revenue increased by R1.4 billion due to higher freight rates, offset by lower CFR volumes and the strong local currency.

The US$48/tonne increase in the average realised FOB export price was due to the US$51/tonne higher Platts 62 index price, partially offset by a US$9/tonne increase in the Platts freight rates, resulting in a US$42/tonne higher FOB Saldanha Platts price of US$139/tonne. This was further enhanced by Lump and Fe premium of US$22/tonne, and marketing premium of US$3/tonne.

Total sales of 40.3 Mt were in line with that of the previous year, despite local sales decreasing 70% to 0.1 Mt (2020: 0.3 Mt), as a result of lower off-take by ArcelorMittal SA. For the year, 58% of sales were on a CFR basis compared to 66% in the prior period. Contractual sales increased to 90% of total export sales volumes (2020: 77%). China represented 43% (2020: 62%) of Kumba's total exports, and the share of the EU/MENA/Americas region increased to 34% (2020: 19%), with Japan and South Korea increasing to 23% (2020: 17%).

Revenue



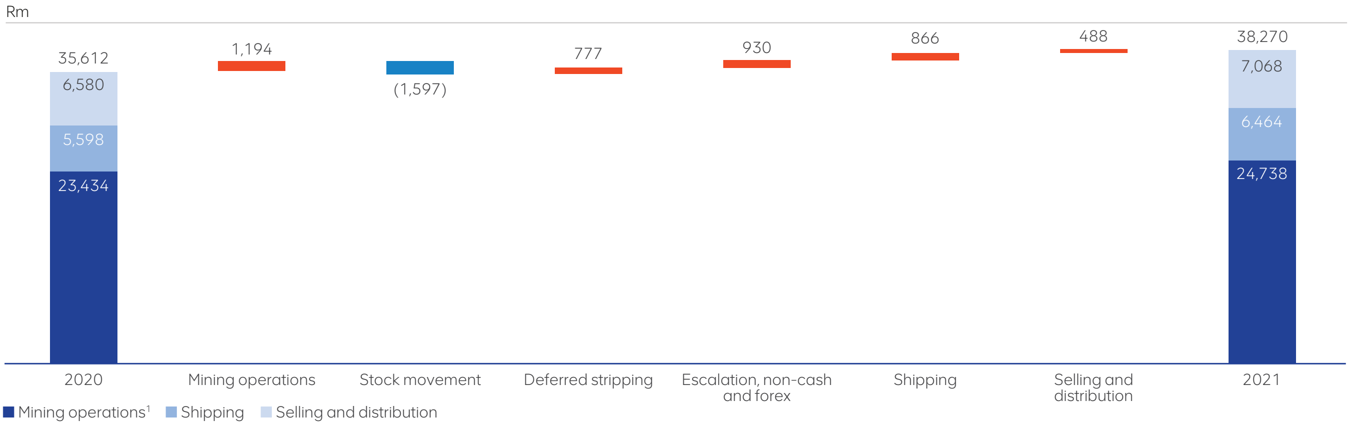
Operating expenditure – driven by higher mining costs

Operating expenses (excluding mineral royalties and impairment) increased by 7% to R38.4 billion, compared to R35.8 billion in the prior year, mainly due to increased operational costs (R1.3 billion) and higher logistics costs (R1.3 billion).

Selling and distribution costs were R488 million higher due to Transnet tariff increases, higher logistics volumes and increased demurrage. Freight costs of R6.5 billion were R866 million higher on the prior period due to stronger freight rates, offset by 2.9 Mt lower CFR shipping volumes and currency movements.

Cost discipline across the value chain coupled with our cost savings initiatives, aimed at offsetting inflation-related costs and reducing controllable cost, delivered savings of R0.9 billion, realising cumulative cost savings of R4.1 billion, since initiating the cost savings programme in 2018.

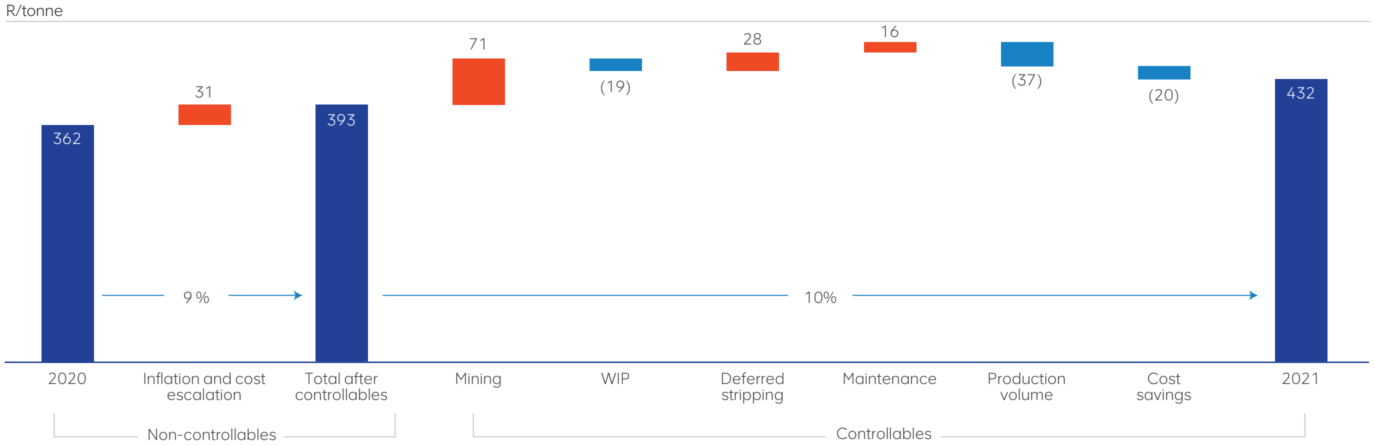
Operating expenditure



[1] Excluding mineral royalty, impairment and expected credit losses.

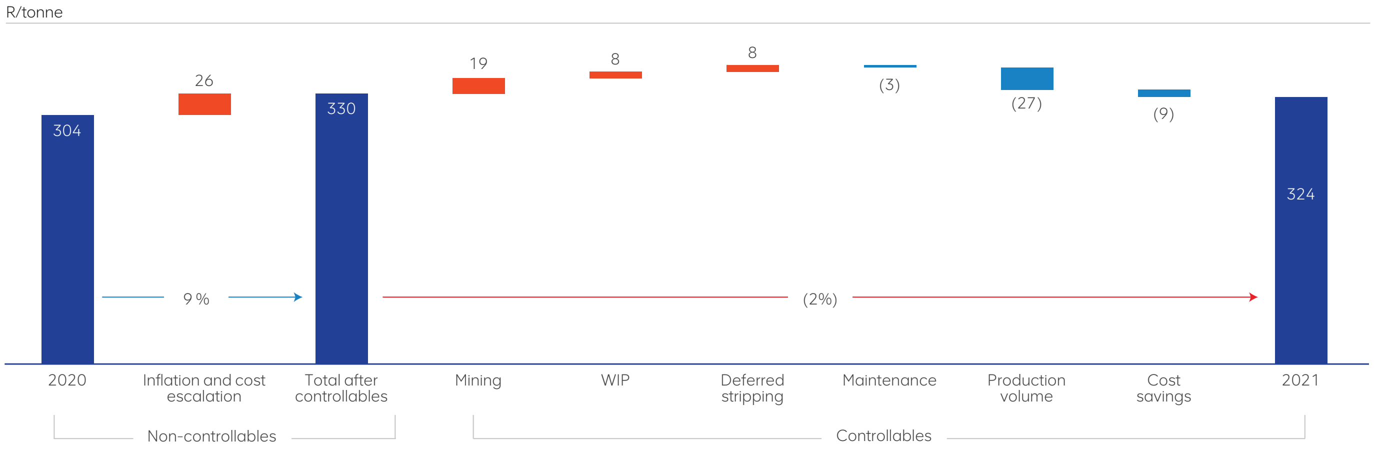
Sishen's unit cash costs increased by 19% to R432/tonne (2020: R362/tonne). The increase was driven by inflationary pressures of 9% in key cost items such as diesel, wages and supply chain-related expenses, coupled with higher mining inflation from longer haulage distances, as well as lower capitalisation of stripping costs. This was partly offset by an increase in production volumes and cost savings achieved. In addition, Sishen incurred higher maintenance costs to improve equipment availability and reliability.

Sishen unit cash costs



Kolomela's unit costs increased 7% to R324/tonne (2020: R304/tonne). The increase was driven by inflationary pressures of 9% in key cost items such as diesel, wages and supply chain-related expenses, along with higher mining inflation from longer haulage distances , and lower capitalisation of stripping costs. Partly offset by an increase in production volumes and cost savings.

Kolomela unit cash costs



Chief Financial Officer's review continued

Break-even price – impacted by non-controllables

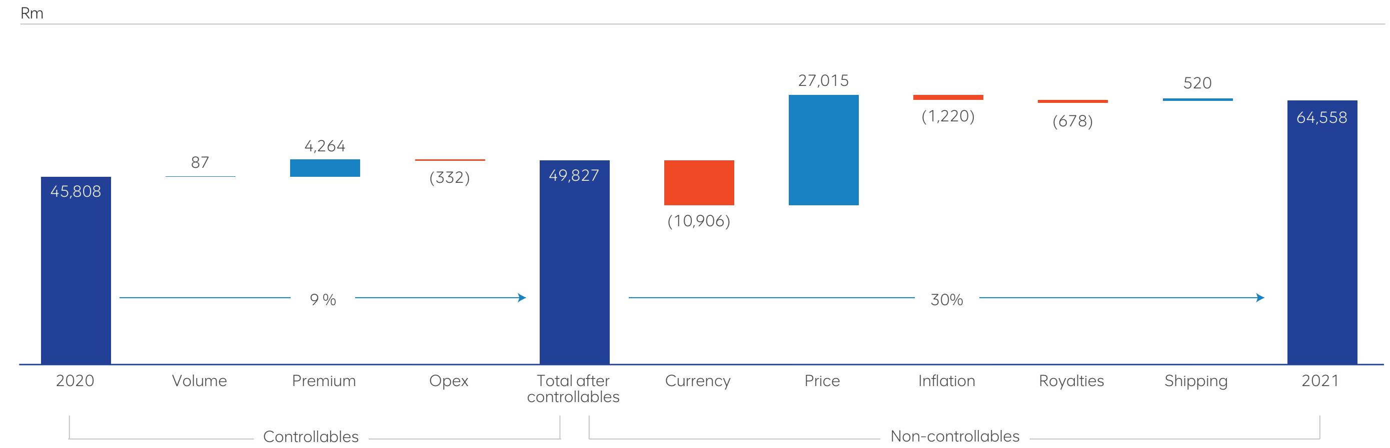
Kumba's break-even price increased to US$56/tonne, US$11/tonne higher from US$45/tonne in 2020, and is attributable to currency losses as the Rand strengthened against the US Dollar, cost escalation caused by a rising diesel price and mining-related inflation, higher on-mine cost driven by geological changes and increased maintenance, and stronger freight and royalty rates. This was partially offset by higher price premiums and lower SIB capital expenditure.

EBITDA – strong margins

Kumba delivered an EBITDA of R64.6 billion, representing an increase of 41% compared to R45.8 billion in the previous year. Stronger market prices and higher premia for our products together with higher sales volumes, were partially offset by a 10% strengthening of the currency and higher operating expenses due to increased mining activities compared to 2020, which was impacted by Covid-19.

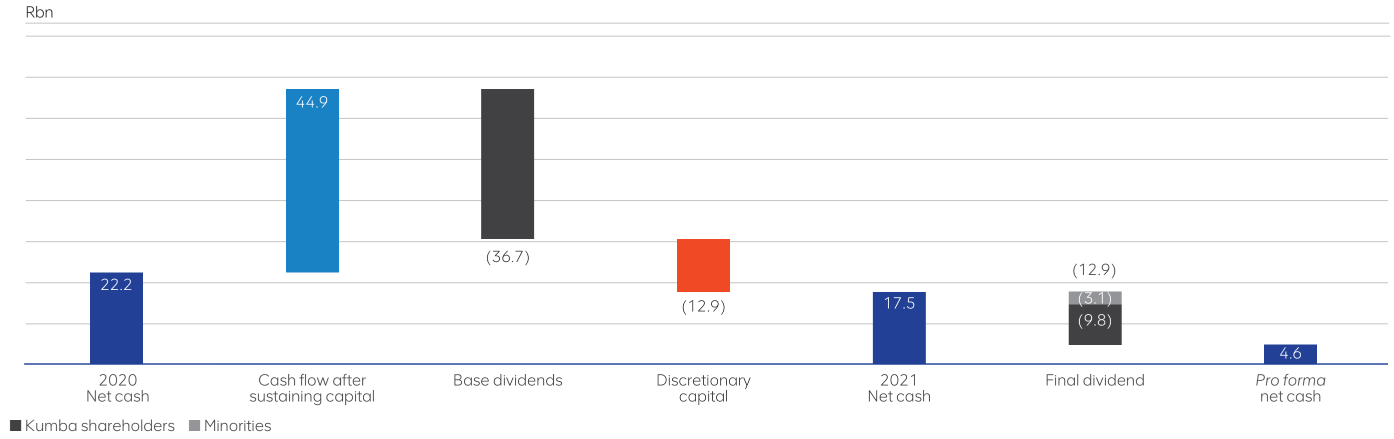
Kumba's EBITDA margin increased by six percentage points to 63% (2020: 57%), the group's mining operating margin, which excludes net freight profit incurred on shipping operations, improved to 62% (2020: 55%). Net profit increased by 47% to R43.7 billion (2020: R29.8 billion).

EBITDA



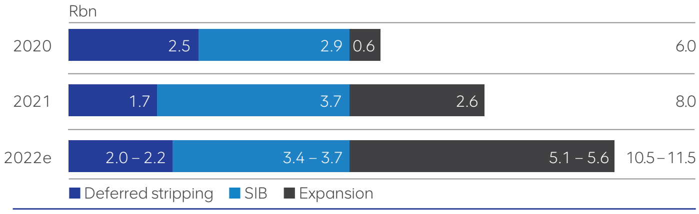
Robust and efficient balance sheet

Capital allocation



Capital expenditure to sustain and develop our business

Capital expenditure



Kumba's capital expenditure for 2021 was R8.0 billion (2020: R6.1 billion). The total spend consisted of the following:

- R3.7 billion from SIB activities, mainly spent on capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business.
- R2.6 billion on expansion capex, includes Kapstevel South project (R2.0 billion), execution of the UHDMS project (R0.2 billion), and the balance relates to P101 operational efficiency initiatives and technology.
- R1.7 billion in deferred stripping capex was reduced marginally due to a reduction in the stripping ratio at Sishen, which was partially offset by an increase at Kolomela due to the higher stripping areas that we are mining.

Stakeholder value created

Kumba has built a strong track record of delivering sustainable returns through the cycle. Our balance sheet remains stable driven by strong cash generation supported by higher EBITDA. With continued currency fluctuations, increased cost pressure and a logistics-constrained environment, Kumba remains committed to maintaining a strong balance sheet.

Taking all these factors into account coupled with our dividend policy of a 50 to 75% pay-out ratio of headline earnings, the Board declared a final cash dividend of R30.50 per share with a total cash dividend for 2021 at R103.20 per share, together with our interim dividend of R72.70 per share, the total dividend for the year increased by 69% and represents 100% of headline earnings.

Kumba ended the year with a net cash position of R17.5 billion (2020: R22.2 billion), after cash flow from operations, tax paid, capex and dividends. Cash flow from operations increased by 61% to R65.0 billion (2020: R40.3 billion), due to higher EBITDA. Working capital decreased due to lower trade and other receivables, which was partially offset by higher inventories as finished stock increased to 6.1 Mt (2020: 4.8 Mt).

We created stakeholder value by paying income tax of R16.6 billion (2020: R10.1 billion) and mineral royalties of R4.6 billion (2020: R3.0 billion) to government, providing capex of R8.0 billion (2020: R6.1 billion), and distributing dividends to shareholders of R48.2 billion (2020: R15.0 billion).

Kumba's debt facilities consist of an R8 billion revolving credit facility that matures in 2024 and uncommitted facilities of R8.2 billion, all of which were undrawn at 31 December 2021. Financial guarantees issued in favour of the DMRE in respect of environmental closure liabilities were R4.1 billion. The annual revision of closure costs reflected a further shortfall of R293 million in respect of the rehabilitation of Sishen and Kolomela. Guarantees for the shortfall will be issued in due course.

Chief Financial Officer's review continued

Key financial risk factors affecting performance

The primary financial risks to which Kumba is exposed are market, counterparty credit and liquidity risk. These are rigorously monitored by management according to the oversight and risk management framework, while the Board oversees the process.

→ **For further information refer to the review of our risks and opportunities** on page 76 of the IR.

Risk management policy

Commodity price

→ **For more detailed information on financial risk management** refer to the AFS pages 70 to 77

Exposure to future price movements occurs as the selling price is based on quoted market prices stipulated in the contract that is provisionally determined between 30 and 180 days after delivery to the customer. Risk is managed through iron ore swaps and futures contracts that enable closer alignment between sales prices and reference prices set by the group.	EBITDA impact of R560 million per US$1/tonne change in export iron ore price

Currency

For exposure to foreign currency movements it is group policy to use only derivatives for hedging purposes and not to engage in speculative transactions. Hedging is only considered in very limited circumstances and in strict compliance with the Company's treasury risk policy.	EBITDA impact of R630 million per R0.10/US$ change in the exchange rate

Export sales volume

→ **For more detail refer to the review of risks and opportunities** on page 76 of the IR

Export sales volumes are exposed to various operational risk factors which are mitigated on a case-by-case basis.	EBITDA impact of R190 million per 100 kt change in sales volumes

Counterparty credit

→ **For more information** refer to note 33 of AFS

Counterparty credit risk exposure is diversified among high-quality financial institutions with acceptable daily settlement limits. Kumba also relies on letters of credit to limit the risk of financial loss from our customers.

Interest rate

→ **For more information** refer to note 33 of AFS

Kumba's policy is to borrow at floating rates and minimise the after-tax cost of debt for the group. Board approval is required for fixed rate debt.

Liquidity

→ **For more information** refer to note 33 of AFS

Adequate cash and credit facilities are maintained to meet all short-term obligations and to ensure that the group can meet all known forecast strategic commitments using the appropriate debt instruments.

Tax

→ **For more information** refer to page 78 and page 79 of the SR

Tax risk management forms part of Kumba's overall risk management process and ensures that we comply with applicable tax legislation. It also enables the Company to timeously identify and respond to legislative amendments and new taxes. We seek to maintain a long-term, open, constructive relationship with tax authorities and the government in relation to tax matters.

Increased production cost pressure

→ **For more information** refer to page 98 of the IR

Continued cost pressure from the rising geological inflation, higher input costs and rising mineral royalties from higher iron ore prices, places pressure on margins and necessitates a concerted effort to further reduce costs. A review of operating expenses conducted during the year identified additional cost savings from our fixed cost base and the optimisation of outside services.

Other specific items and events during the year

Changes in estimates to environmental rehabilitation and decommissioning provision

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. The closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. Estimates and assumptions are employed in determining the amount and timing of the future cash flows and the discount rate.

The life-of-mine plan on which accounting estimates are based only includes Proved and Probable Ore Reserves as disclosed in Kumba's 2021 annual Ore Reserves and Mineral Resources statement. The increase in the closure cost estimates was mainly due to an increase in footprints. The financial provision increased by R61 million mainly due to reduced cash flows resulting from revised life-of-mine at Sishen and Kolomela and the impact of a 0.6% decrease in the discount rate from 4.3% to 3.7% (in real terms), at Kolomela.

The effect of the change in the estimate of the rehabilitation and decommissioning provision is detailed below:

Rand million	31 December 2021
Decrease in environmental rehabilitation provision	**(14)**
Decrease in decommissioning provision	**(35)**
Decrease in profit attributable to the owners of Kumba	**(40)**
Rand per share	
Effect on earnings per share attributable to the owners of Kumba	**(0.12)**

National Environmental Act (NEMA)

The minister of Forestry, Fisheries and the Environment has determined that requirements for creating financial provisions to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current MPRDA. This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were re-published on 10 November 2017, 1 7 May 2019 and 31 August 2021. The deadline for compliance has been extended to June 2022. These amendments are expected to result in provision of additional funding for the undiscounted closure costs, which will be required during the first half of 2023 if the effective date remains unchanged.

→ **For more information** refer to page 99 of the SR

Taxation

Kumba contributes economic value to the government of South Africa and to the host communities in the Northern Cape with taxes paid through the life-cycle of our operations and across our value chain. Our tax contribution of R22.7 billion for 2021 reflects corporate income tax of R16.6 billion, mineral royalties of R4.6 billion and indirect taxes of R1.5 billion.

The Company's tax contribution represents a significant portion of the economic value delivered to the government and our host communities. The following cash payments were made to the jurisdictions in which the group operates:

Total tax contribution by category

Rand million	2021	2020
Corporate income tax	**16,603**	10,146
Mineral royalties	**4,612**	3,001
Payroll tax	**1,387**	1,226
Skills levy	**50**	33
UIF	**23**	23
Total	**22,675**	14,429

Outlook for 2022

Our financial guidance for 2022 is set out below.

Guidance (unaudited)	2022
Total sales (Mt)	**39 – 41**
Total production (Mt)	**39 – 41**
Sishen	**~27**
Kolomela	**~13**
Waste stripping (Mt)	
Sishen	**155 – 175**
Kolomela	**55 – 65**
On-mine unit costs (R/tonne)	
Sishen	**R490 – 520**
Kolomela	**R350 – 370**

The production guidance for 2023 was maintained at 39 and 41 Mt and in 2024, production is expected to be between 41 and 43 Mt following the completion of the UHDMS project.

Our capital expenditure is expected to be between R10.5 billion and R11.5 billion for 2022, including the deferral of R0.7 billion (SIB R0.5 billion and Expansion R0.2 billion) of non-critical capital expenditure from 2021. The increase is driven by:

- Higher SIB spend of between R3.4 billion and R3.6 billion, largely comprised of plant and infrastructure replacement and upgrade. Further spending includes projects to improve safety, environmental sustainability and equipment reliability, capital spares, information management and housing.
- Expansion capex of between R4.1 billion and R4.5 billion, to develop the Kapstevel South pit at Kolomela and the UHDMS project, while continuing to invest between R1.0 billion and R1.1 billion in our P101 efficiency programme, including the autonomous haul trucks.
- Deferred stripping capex will reduce to between R1.9 billion and R2.1 billion, following lower stripping ratios at certain pushbacks at both of the mines.

Overall, it should be noted that iron ore export prices and the Rand/US$ exchange rate are key factors influencing Kumba's financial performance. Shareholders are advised that these forecasts have not been reviewed or reported on by our external auditors.

Acknowledgement

In closing, I would like to acknowledge the finance team for their commitment, smart work and integrity during the year and for supporting the business to unlock further value. As a key business partner our team continues to support a cost and capital focus across the value chain, while maintaining a high standard of governance, compliance and financial reporting.

Bothwell Mazarura
Chief Financial Officer

16 March 2022

Directors' responsibility for financial reporting

for the year ended 31 December 2021

The directors are responsible for the preparation, fair presentation and integrity of the annual financial statements and related financial information of the Kumba Iron Ore Limited Group (the group) as well as Kumba Iron Ore Limited (Kumba or the Company), in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act 71 of 2008 (as amended) of South Africa and the Listings Requirements of the JSE Limited, which include amounts based on judgements and estimates made by management.

The annual financial statements, set out on pages 24 to 96, are based on appropriate accounting policies which have been consistently applied, except for changes in accounting policies as detailed in the notes, and which are supported by reasonable and prudent judgements and estimates, comprise the statement of financial position at 31 December 2021; the statement of profit or loss, the statement of other comprehensive income, the statements of changes in equity and statement of cash flows for the year then ended; the notes to the financial statements, which include a summary of principal accounting policies and other explanatory notes, the directors' report, the report of Audit Committee and the certificate of the Company Secretary.

The directors, primarily through the Audit Committee, meet periodically with the external and internal auditors as well as the executive management to evaluate matters concerning the responsibilities below:

- maintaining adequate accounting records and an effective system of risk management
- developing, implementing and maintaining a sound system of internal control relevant to the preparation and fair presentation of these financial statements, which provides reasonable but not absolute assurance against material misstatement or loss, whether owing to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances
- safeguarding shareholders' investments and the group's assets
- preparing the supplementary annexures included in these financial statements

The group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the external auditors.

The independent external auditors are responsible for reporting on whether the consolidated financial statements and the separate financial statements are fairly presented in accordance with the applicable financial reporting framework. The independent auditor's report to the shareholders of the group and Kumba is set out on pages 20 to 23 of this report.

The external and internal auditors have unrestricted access to all records, property and personnel as well as to the Audit Committee.

The directors acknowledge that they are ultimately responsible for the process of risk management and the system of internal financial control established by the group and place a strong emphasis on maintaining a strong control environment. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review. The directors are of the opinion, based on the information and explanations given by management, the internal auditors, the external auditors and the group's risk, compliance and other reporting processes that the risk management processes and system of internal control provide reasonable assurance in all key material aspects that the financial records may be relied upon for the preparation of the annual financial statements.

Having considered the group's major risks, outstanding legal, insurance and taxation issues, an assessment of the solvency and liquidity taking into account the current financial position and existing borrowing facilities as well as the group's financial budgets with their underlying business plans, the directors consider it appropriate that the annual financial statements be prepared on the going-concern basis.

Approval of group annual financial statements and Company annual financial statements

The group annual financial statements on pages 24 to 88 and 97 to 106 and the Company annual financial statements on pages 89 to 96 of Kumba Iron Ore Limited were approved by the Board of directors on 21 February 2022 and will be presented to the shareholders at the annual general meeting on 31 May 2022. The group and Company annual financial statements are signed on the directors' behalf by:

TP Goodlace
Chairman

TM Mkhwanazi
Chief Executive*

21 February 2022

* TM Mkhwanazi was the Chief Executive of Kumba until 31 December 2021.

Certificate of the Company Secretary

for the year ended 31 December 2021

I, F Patel, in my capacity as Company Secretary, confirm that, for the year ended 31 December 2021, Kumba Iron Ore Limited has lodged with the Registrar of Companies all such returns and notices as are required of a public company in terms of the Companies Act 71 of 2008 (as amended) South Africa, and that all such returns and notices are true, correct and up to date.

F Patel
Company Secretary

21 February 2022

Responsibility statement on internal financial controls

for the year ended 31 December 2021

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements set out on pages 24 to 106, fairly present in all material respects the financial position, financial performance and cash flows of Kumba in terms of IFRS
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading
- internal financial controls have been put in place to ensure that material information relating to Kumba and its consolidated subsidiaries have been provided to effectively prepare the financial statements
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code.

Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

TM Mkhwanazi*
Chief Executive

BA Mazarura
Chief Financial Officer

21 February 2022

* TM Mkhwanazi was the Chief Executive of Kumba until 31 December 2021.

Directors' report

for the year ended 31 December 2021

The directors have pleasure in presenting the annual financial statements of Kumba and the group for the year ended 31 December 2021.

Nature of business

Kumba was incorporated in South Africa on 16 May 2005 and commenced trading in November 2006 following the unbundling of Kumba from Exxaro Resources Limited (previously Kumba Resources Limited). Subsequent to unbundling, Kumba was listed on the JSE Limited (JSE) on 20 November 2006.

Kumba is a mining group of companies focusing on the exploration, extraction, beneficiation, marketing and sale and shipping of iron ore. Kumba produces iron ore in South Africa at Sishen and Kolomela mines in the Northern Cape province.

The nature of the businesses of the group's subsidiaries, associates and joint ventures is set out in Annexures 1 and 2.

Corporate governance

The group subscribes to the Code of Good Corporate Practices and Conduct as contained in King IV™*. The Board has satisfied itself that Kumba has complied in all material aspects with King IVTM as well as the Listings Requirements throughout the year under review. The corporate governance report is included on pages 28 to 51 of the 2021 integrated report.

Impact of the Covid-19 pandemic

The group has considered the ongoing impact of the Covid-19 pandemic on each of its significant accounting judgements and estimates. The group's principal source of estimation uncertainty continues to be in relation to assumptions used for the assessment of impairment of non-current assets where indicators of impairment are identified. No further significant impact on estimates has been identified as a result of the Covid-19 pandemic, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

The iron ore price and Rand/US$ exchange rate assumptions used to forecast future cash flows for impairment assessment purposes have been updated to consider both the short-term observable impact of the Covid-19 pandemic and the forecast medium and longer-term impact on the world economy and commodity prices. No impairment indicators have been identified for the group's non-current assets.

Financial results

The financial statements on pages 26 to 106 set out fully the financial position, results of operations and cash flows of the group and the Company for the financial year ended 31 December 2021. The financial statements have been prepared under the supervision of BA Mazarura CA(SA), the Chief Financial Officer.

Operating results for the year

Summary of the group's key financial results for the year ended 31 December:

Rand million	2021	2020	% Increase
Revenue	**102,092**	80,104	27
Earnings before interest, tax depreciation and amortisation (EBITDA)	**64,558**	45,808	41
Cash generated from operations	**64,970**	40,339	61

Total revenue increased by 27% to R102.1 billion (2020: R80.1 billion), mainly as a result of higher realised iron ore prices, partially offset by a stronger Rand/US$ foreign exchange rates.

Kumba's average realised iron ore export price increased by 42% to US$161/wmt (2020: US$113/wmt). Total sales volumes ended flat at 40.3 Mt (2020: 40.3 Mt) with exports sales of 40.2 Mt and domestic sales of 0.1 Mt. The average Rand/US$ exchange rate strengthened by 10% to R14.79/US$1 (2020: R16.47/US$1). Shipping revenue increased by R1.4 billion due to higher freight rates, offset by lower cost and freight (CFR) volumes and the strong local currency.

The US$48/tonne higher average realised free on board (FOB) export price was due to a US$51/tonne increase in the Platts 62 index price, partially offset by a US$9/tonne increase in the Platts freight rates, resulting in a US$42/tonne higher FOB Saldanha Platts price of US$139/tonne. This was then enhanced by lump and Fe premium of US$22/tonne, and marketing premium of US$3/tonne.

Operating expenses, excluding mineral royalties, increased by 7% to R38.4 billion (2020: R35.8 billion), driven by an increase of R1.3 billion in operational costs and R1.3 billion in logistics costs.

Selling and distribution costs were R488 million higher driven by Transnet tariff increases, higher logistics volumes and increased demurrage. Freight costs of R6.5 billion were R866 million higher on the prior period due to stronger freight rates, offset by 2.9 Mt lower CFR shipping volumes and currency movements.

Kumba's EBITDA of R64.6 billion reflects an increase of 41% (2020: R45.8 billion). Stronger market prices and higher premia for our products were partially offset by a 10% strengthening of the currency and higher operating expenses due to increased mining activities compared to 2020, which was impacted by the Covid-19 pandemic.

In line with this, the EBITDA margin increased to 63% (2020: 57%), with the mining operating margin, which excludes net freight profit incurred on shipping operations, improving to 62% (2020: 55%). Accordingly, net profit increased by 47% to R43.7 billion (2020: R29.8 billion).

Kumba's break-even price increased to US$56/tonne, US$11/tonne up from US$45/tonne in 2020, and is attributable to currency losses as the Rand strengthened against the US dollar, cost escalation caused by a rising diesel price and mining-related inflation, higher on-mine cost driven by geological changes and increased maintenance, and stronger freight and royalty rates. This was partially offset by higher price premiums and lower stay-in-business (SIB) capital expenditure.

Financial position

Summary of the group's financial position as at 31 December:

Rand million	2021	2020	% increase
Property, plant and equipment (excluding right-of-use assets)	**43,233**	40,165	8
Working capital (excluding cash and cash equivalents and non-current inventories)	**4,601**	7,547	(39)
Cash and cash equivalents	**17,925**	22,707	(21)
Net asset value per share (R)	**138.53**	147.43	(6)

Property, plant and equipment

Capital expenditure of R8.0 billion (2020: R6.1 billion) largely comprised R3.7 billion of SIB spend, R1.7 billion of deferred stripping, and R2.6 billion of expansion capital expenditure. The increase in capital creditors of R1.8 billion (2020: R0.3 billion) relates to capital expenditure incurred during the year but not yet paid at the reporting date, net of prior year expenditure paid. The 2021 cash capital expenditure net of capital creditors was R6.3 billion (2020: R.7 billion). SIB capital expenditure represents spend on capital spares, mining fleet replacement and plant and infrastructure upgrades to sustain our business. Deferred stripping spend reduced marginally due to a reduction in the stripping ratio at Sishen which was partially offset by an increase at Kolomela due to the higher stripping areas that we are mining. Expansion capital expenditure included the Kapstevel South project (R2.0 billion), execution of the UHDMS project (R0.2 billion), and the balance relates largely to P101 operational efficiency initiatives and technology.

Working capital

Working capital decreased mainly due to a decrease in trade and other receivables of R1.4 billion and an increase in trade and other payables of R2.4 million, partially offset by an increase in inventory, driven by higher finished stock volumes of 6.1 Mt (2020: 4.8 Mt), The majority of the finished stock is situated at the mines due to rail constraints. The higher stock levels are in line with our production and railing plans to mitigate uneven rail performance and also ensures that we are well positioned for the tie-in of the UHDMS project planned for 2023.

Cash and cash equivalents

Kumba's strong cash generation contributed to attributable free cashflow of R30.5 billion. Our cash position of R17.9 billion (2020: R22.7 billion) reflects our resilient and capital-efficient balance sheet. Cash flow generated from operations of R65.0 billion (2020: R40.3 billion), was underpinned by EBITDA of R64.6 billion.

Accounting policies

A number of amendments to accounting standards were effective for the first time for the financial year beginning on or after 1 January 2021. None of the amendments had a material impact on the group.

Share capital

Authorised capital

The Company's authorised share capital of 500,000,000 shares remained unchanged during the year.

Share movements

Rand million	2021	2020
Balance at the beginning of the year	**(118)**	(5)
Net movement in treasury shares under employee share incentive schemes	**(72)**	(113)
– Purchase of treasury shares under employee share incentive schemes	**(220)**	(201)
– Shares issued to employees under employee share incentive schemes	**148**	88
Share capital and share premium	**(190)**	(118)

The group acquired 306,197 (2020: 464,292) of its own shares through purchases on the JSE during the year.

Directors' report continued

for the year ended 31 December 2021

Unissued shares

The directors are authorised to issue unissued shares until the next annual general meeting. Shareholders will be asked to extend the authority of the directors to control the unissued shares of the Company at the forthcoming annual general meeting, up to a maximum of 5% of the issued capital.

Dividends

Our capital allocation framework seeks to ensure that the business generates sufficient cash flow after sustaining capital before prioritising shareholder returns. This is done while maintaining flexibility of our statement of financial position to protect the business from market volatility as well as ensuring that appropriate levels of capital are allocated to life extension projects. Our capital structure comprises a combination of cash resources and debt facilities providing the requisite strength of our statement of financial position.

Kumba delivered attributable and headline earnings per share of R103.67 and R103.65 per share (2020: R71.03 and R71.07 per share), respectively. This has supported the Board's decision to declare a final cash dividend of R30.50 per share, which includes:

- R23.15 per share representing 75% of headline earnings in accordance with our dividend policy
- R7.35 per share being a top-up cash dividend

Together with our interim dividend of R72.70 per share, the total dividend for the year increased by 69% to R103.20 per share (2020: R60.90 per share) and represents 100% of headline earnings.

Subsidiaries, joint arrangements and associates

Full particulars of the group's investment in subsidiaries, associates and joint arrangements are set out in annexures 1 and 2.

Equity compensation plans

Refer to note 21 Equity-settled share-based payment reserve, Annexure 3 of the group annual financial statements and the detailed remuneration report which will be included in the 2021 integrated report for a detailed discussion and analysis of movements in the group's various equity compensation plans available to Executive Directors, senior managers and qualifying employees.

Segment results

Refer to note 1 for a detailed segmental analysis of the group's operating results for the year ended and financial position as at 31 December 2021.

Holding company and related parties

Anglo American plc is the group's ultimate holding company. The interest in the group is held through a 69.71% holding by Anglo South Africa Proprietary Limited (2020: 69.71%).

The analysis of ordinary shareholders is provided on pages 109 to 110.

Events after the reporting date

Refer to note 31 for a detailed description of events after the reporting period for the year ended 31 December 2021. The directors are not aware of any other matters or circumstances arising since the end of the year and up to the date of this report, not otherwise dealt with in this report.

Contingent liabilities and guarantees

Contingent liabilities

As previously reported, during 2018, the South African Revenue Service (SARS) issued the group with additional income tax assessments, covering the 2012 to 2014 years of assessments, relating to a tax audit on the deductibility of certain expenditure incurred. The group objected to these assessments after consultation with external tax and legal advisers. SARS disallowed the objection.

On 21 February 2019, the group submitted an appeal against this outcome which was referred to alternative dispute resolution (ADR) proceedings in an attempt to resolve the matter. The ADR proceedings were terminated on 20 February 2020, after which the group submitted a notice to SARS wherein the group confirmed that it wishes to proceed with the appeal to the Tax Court. On 18 August 2020, SARS filed its statement of grounds of assessment and opposing appeal, after which the group filed its statement of grounds of appeal on 21 October 2020. The pleadings in this matter are now closed and the trial date has been set for May 2022.

On 14 September 2020, SARS informed the group it intends to audit the 2015 to 2018 years of assessments (audit). As the 2015 year of assessment has prescribed, it will be excluded from the audit. The appeal and the audit concern the same subject matter. The result of the appeal is likely to be determinative of a substantial number, if not all, of the issues to be traversed in the audit. SARS has therefore agreed to hold the audit in abeyance pending the outcome of the appeal to the Tax Court.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2021.

Guarantees

Total guarantees obtained in favour of the Department of Mineral Resources (DMRE) in respect of the group's environmental closure liabilities at 31 December 2021 were R4.1 billion (2020: R3.4 billion). Guarantees in respect of the 2020 shortfall of R658 million were issued to the DMRE in May 2021. Undiscounted closure costs increased by R432 million during the year. This, partially offset by a R139 million increase in the trust fund investment, has resulted in a shortfall of R293 million which will be addressed in due course.

Regulatory update

National Environmental Management Act (NEMA)

The Minister of Environment, Fisheries and Forestry has determined that requirements for making financial provision to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current Mineral and Petroleum Resource Development Act (MPRDA). This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were published on 20 November 2015, and further proposed material amendments were gazetted on 10 November 2017, 17 May 2019 and 30 August 2021. The deadline for compliance has been extended to June 2022. These amendments are expected to result in provision of additional funding for the undiscounted closure costs, which will be required during the first half of 2023 if the effective date remains unchanged.

Company secretary

The Company Secretary for Kumba is Ms Fazila Patel. The contact details of the Company Secretary are set out on page 111. Her abridged curriculum vitae is available for inspection at the Company's registered office.

Directors

The names of the directors who were in office during the year and at the date of this report will be set out in the 2021 integrated report. The remuneration and fees of directors as well as the directors' beneficial interest in Kumba are set out in note 34 to the consolidated financial statements.

The following change to the Board was announced during the 2021 financial year:

- Ms Josephine Tsele was appointed as a Non-Executive Director with effect from 1 May 2021.
- Dr Mandla Gantsho retired as an independent Non-Executive Director and Chairman of the Board with effect from the end of the Annual General Meeting held on 14 May 2021.
- Mr Terence Goodlace was appointed as Chairman of the Board with effect from 23 June 2021. Terence was appointed to the Board in March 2017 and has served as the Lead Independent Director. He also serves as Chairman of the Strategy and Investment Committee and as a member of the Social, Ethics and Transformation Committee, Human Resources and Remuneration Committee, Audit Committee and the Nominations and Governance Committee. He has stepped down as a member of the Audit Committee and as Lead Independent Director with effect from 23 June 2021.
- The following changes to the composition of the Board committees took place with effect from 23 July 2021:
  - Mr Terence Goodlace was appointed as Chairman of the Nominations and Governance Committee
  - Ms Mary Bomela was appointed as a member of the Social, Ethics and Transformation Committee and the Strategy and Investment Committee
  - Ms Michelle Jenkins was appointed as a member of the Human Resources and Remuneration Committee
  - Ms Josephine Tsele was appointed as a member of the Social, Ethics and Transformation Committee and the Strategy and Investment Committee.
- Mr Seamus French resigned as Non-Executive Director with effect from 31 December 2021 and ceased to be a member of the Human Resources and Remuneration Committee and the Strategy and Investment Committee. The Board thanked Mr French for his valuable contributions and wish him all of the very best in his future.
- The Chief Executive and Executive Director of the Company, Mr Themba Mkhwanazi stepped down as Chief Executive with effect from 31 December 2021 to take up his new position as CEO of Bulk Commodities. Mr Mkhwanazi will continue to serve on the Kumba Board in a Non-Executive Director capacity.
- Ms Mpumi Zikalala was appointed as Chief Executive and Executive Director of the Company with effect from 1 January 2022. Ms Zikalala was previously the Chief Executive of De Beers Group Managed Operations and has over 20 years of mining experience having held a number of leadership roles. The Board welcomes Ms Zikalala to her new role as Chief Executive of Kumba and believes that Ms Zikalala will be instrumental, in advancing the strategic and operational aspirations of Kumba.

Prescribed officers

The group's prescribed officers include members of the Executive Committee and the Company Secretary. The names of the prescribed officers who served during the year and as at the date of this report are set out on pages 36 to 37 in the 2021 integrated report. The remuneration and fees of the prescribed officers are set out in note 34 to the consolidated financial statements. Although Timo Smit is a prescribed officer of Kumba as a member of the Executive Committee, he is employed by Kumba Singapore Pte and as such, his remuneration is disclosed in the table on page 78.

In addition to the changes in Executive Directors mentioned under the 'Directors' section above, the following changes to the executive management were announced during the 2021 financial year:

- Mr Philip Fourie retired as Executive Head of Safety, Health and Environment and a Member of the Executive Committee with effect from 31 March 2021. The directors wished him all the best in this new chapter of his life.
- Mr Butch Dudgeon was appointed as acting Head of Safety, Health and Environment from 1 April 2021 to 30 April 2021. The directors thanked Mr Dudgeon for acting in this role.
- Ms Nandi Sibanyoni was appointed as Executive Head of Safety, Health and Environment, with effect from 1 May 2021.
- Ms Virginia Tyobeka resigned as Executive Head of Human Resources effective 31 July 2021 and was thanked for her commitment, hard work, and visionary leadership over the past decade. The search for a successor is underway and an announcement will be made in due course.

Auditors

PricewaterhouseCoopers Inc. (PwC) was appointed as the auditor of Kumba and its subsidiaries on 7 August 2020 and continued in office for the year ended 31 December 2021. At the annual general meeting on 31 May 2022, shareholders will be requested to reappoint PwC as the auditor of Kumba for the 2022 financial year.

Directors' report continued

for the year ended 31 December 2021

Special resolutions

On 14 May 2021, the shareholders of Kumba resolved the following:

1. In terms of the Listings Requirements, the directors are authorised by way of a general authority to issue the authorised but unissued ordinary shares of one cent each in the capital of the Company for cash, as and when suitable opportunities arise, subject to the Memorandum of Incorporation (MoI) of the Company, and the Companies Act.
2. In terms of sections 66(9) of the Companies Act and on recommendation of the Human Resources and Remuneration Committee, the Company be and is hereby authorised to remunerate its Non-Executive Directors for their services as directors and/or pay any fees related thereto with specific increases detailed in the table below.

Board member	Proposed increase %
2.1 Board Chairperson	**3.5**
2.2 Ordinary Board member	**3.5**
2.3 Lead Independent Director	**3.5**
2.4 Audit Committee chairperson	**3.5**
2.5 Audit Committee member	**3.5**

3. The Board of directors of the Company may, subject to compliance with the requirements of the Company's MoI, the Companies Act, and the Listings Requirements, each as presently constituted and as amended from time to time, authorise the Company to provide direct or indirect financial assistance as contemplated in section 44 and/or section 45 of the Companies Act, by way of a loan, guarantee, the provision of security or otherwise.
4. The Board of directors of the Company be and is hereby authorised, by way of a renewable general authority, to approve the repurchase by the Company, or by any of its subsidiaries, of any of the shares issued by the Company, upon such terms and conditions and in such amounts as the Board of directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the MoI of the Company and the Listings Requirements.

Going-concern statement

The financial position of the group, its cash flows, liquidity position and debt facilities are set out in the group's consolidated annual financial statements for the year ended 31 December 2021. The group's liquidity position of R25.5 billion at 31 December 2021 remained strong. The group ended the period in a cash position of R17.9 billion (31 December 2020 : R22.7 billion). Further analysis of the cash position and details of facilities are set out in note 8.

The Board has considered the group's cash flow forecasts for the foreseeable future under base case and downside scenarios, with consideration given to the uncertainty of the impact of the Covid-19 pandemic on both the wider macro-economic environment and the group's operations. In all of the scenarios modelled, the group maintains sufficient liquidity throughout the period of assessment without the introduction of further mitigating actions.

The Board is satisfied that the group's forecasts and projections, taking into account reasonably possible changes in trading performance, indicate that the group's liquidity position is sufficient to sustain its operations for the foreseeable future. Furthermore, the group's current debt facilities are available for use in the foreseeable future. For this reason, the group continues to adopt the going-concern basis in the preparation of its financial statements.

Report of the Audit Committee

for the year ended 31 December 2021

Introduction

The Audit Committee (the Committee) is pleased to present its report for the financial year ended 31 December 2021 as recommended by the King IV™ report, the Listings Requirements of the JSE Limited and the Companies Act. The Committee is constituted as a statutory committee of the Board.

The scope of the Committee extends to all activities of Kumba and its subsidiaries. The Committee has terms of reference in place, which regulate both its statutory duties and those assigned to it by the Board. The terms of reference were reviewed, updated and approved in October 2021. The Committee has conducted its affairs in compliance with its mandate and terms of reference and has fulfilled its responsibilities contained therein.

Composition

The Audit Committee members, appointed by the Board and approved by the shareholders in respect of the financial year ended 31 December 2021, comprised the following independent Non-Executive Directors, all of whom have the requisite financial skills, business acumen and experience to fulfil their duties:

- SS Ntsaluba (Chairman)
- MS Bomela
- TP Goodlace*
- MA Jenkins

* TP Goodlace was appointed as Chairman of the Kumba Board and accordingly stepped down as a member of the Committee on 23 June 2021.

Brief biographies of the Committee members are available on the Company's website: www.angloamericankumba.com/about-us/leadership-team/internal-board. The current members of the Committee will be recommended to shareholders for appointment at the annual general meeting of the Company to be held in May 2022 in respect of the financial year ending 31 December 2021. As part of the annual evaluation of the Board, the performance of the Committee and its members were assessed; and it was found to be a well-functioning Committee and all its members received positive ratings.

Attendees at Committee meetings

In addition to the Committee members, the Chief Executive, Chief Financial Officer, Head of Internal Audit, Compliance Officer and senior management in the finance department attended meetings of the Committee by invitation, together with the external auditor.

The Committee meets independently with the external and internal auditors to discuss pertinent matters as they arise, as well as to discuss matters relating to the year end audit and finalisation of the interim financial results. The Committee Chairman also meets separately with external and internal auditors between Committee meetings.

Committee meeting attendance

During the year under review, the Committee met six times. Attendance at meetings held during the year is presented in the following table.

Member	Meeting date						Number of meetings attended
	18/02/2021	12/03/2021*	12/05/2021	13/5/2021	21/07/2021	20/10/2021	
SS Ntsaluba (Chairman)	✓	✓	✓	✓	✓	✓	**6/6**
MS Bomela	✓	✓	✓	✓	✓	✓	**6/6**
TP Goodlace	✓	✓	✓	✓	N/A	N/A	**4/4**
MA Jenkins	✓	✓	✓	✓	✓	✓	**6/6**

✓ Indicates attendance
* Special meeting
N/A TP Goodlace was appointed as Chairman of the Kumba Board and accordingly stepped down as a member of the Committee on 23 June 2021

Role and responsibilities

The main functions performed by the Committee were as follows:

- Reviewed the reporting process and controls in respect of the compilation of the financial information and found the processes and controls to be effective and appropriate
- Reviewed the Chief Financial Officer's quarterly reports relating to the group's financial performance, forecasts, budget and capital expenditure
- Considered and satisfied itself on the appropriateness of accounting policies and critical judgements, accounting estimates and assumptions
- Assessed and confirmed the appropriateness of the going-concern assumption used in the annual financial statements
- Reviewed and addressed the findings of the JSE's Report Back on proactive monitoring of financial statements
- Considered the expertise and experience of the Chief Financial Officer, Bothwell Mazarura, as well as the expertise and resources within the finance function and concluded that the experience and expertise of the Chief Financial Officer and finance function is appropriate and effective
- Reviewed legal matters that could have a material impact on the group
- Reviewed the interim and year-end results announcements and the annual financial statements and recommended them to the Board for approval
- Performed the functions required in terms of section 94(2) of the Companies Act on behalf of the group's subsidiary companies
- Monitored the integrity of the Company's integrated reporting process

Report of the Audit Committee continued

for the year ended 31 December 2021

Role and responsibilities continued

- Reviewed the processes in place for dealing with concerns or complaints in respect of accounting policies, internal audit, the auditing or content of annual financial statements and internal financial controls. There were no substantive complaints during the year under review
- Monitored compliance with the Company's business integrity policy and oversaw the management of ethics in the Company
- Reviewed the Company's combined assurance model and satisfied itself as to its completeness
- Satisfied itself that the Company has augmented the assurance coverage obtained from management, and from external and internal assurance providers, in accordance with an appropriate combined assurance model
- Reviewed quarterly reports on risks related to Covid-19, financial risks and emerging risks and opportunities
- Satisfied itself that the level of unmitigated risks, both individually and in totality, are within the risk appetite of the Company, and that there is sufficient assurance provided to manage risks and the control environment through both internal and external assurance providers
- Reviewed the integrity of the narrative in the 2021 sustainability report to ensure that it was reliable and concluded that it did not conflict with the financial information
- Evaluated the integrated report for the year under review and assessed its consistency with operational and other information known to the Committee. The report was prepared using appropriate reporting standards
- Reviewed the Company's Ore Reserves and Mineral Resources report
- Reviewed Kumba's approach to capital management and the way forward

Key focus areas in 2021

The significant areas of focus for the Committee in relation to the 2021 financial year included:

- Consideration of the JSE's guidance on proactive monitoring of annual financial statements
- Reviewing the group's current tax matters that could have a material impact on the financial statements
- Assessment of IT governance and the related control environment
- Integration and repositioning of supply chain
- Reviewing the group's significant accounting matters and recommending the approval thereof to the Board which included:

Provision for environmental rehabilitation

A comprehensive review of the provision for environmental rehabilitation was conducted and management reported to the Committee the procedures undertaken to determine the financial provision.

The Committee reviewed management's assumptions used for the assessment of the financial provision for environmental rehabilitation and was satisfied that it was appropriately performed.

Chief Executive and Chief Financial Officer responsibility statement

The Committee received regular updates on the implementation of the project initiated to ensure compliance with paragraph 3.84(k) of the Listings Requirements. The results were reviewed at key stages of the project which included the compilation of a comprehensive risk and control matrix covering all business processes that have an impact on financial reporting, the review and testing of all key controls, and the final year end sign off by all the relevant control owners. No material deficiencies were noted.

Impact of Covid-19

The Committee considered the impact of Covid-19 on Kumba's operations and assessed the relevant business and financial risks. The Committee also considered the company's proactive response and risk-based approach to address the threat posed to the lives and livelihoods of the Company's employees, contractors, communities and other stakeholders.

Internal audit and internal controls

The internal audit function under the auspices of Anglo Business Assurance Services reviews and provides assurance on the adequacy and effectiveness of internal controls and internal financial controls.

During the year under review, the Committee:

- Reviewed and approved the annual internal audit coverage plan
- Evaluated the independence, effectiveness and performance of the internal audit function in terms of its scope, execution of its plan, coverage, independence, skills, resourcing, overall performance and position within the organisation and found it to be satisfactory
- Received assurance that proper and adequate accounting records were maintained
- Considered the internal audit reports on the group's systems of internal controls, including financial controls, and business risk management
- Reviewed significant issues raised by the Head of Internal Audit and the processes and the adequacy of corrective action in response to internal audit findings and considered management's responses to adverse internal audit findings
- Met with the head of internal audit independently of management

External auditors

During the year under review, the Committee:

- Considered and satisfied itself with the independence and objectivity of PricewaterhouseCoopers Inc. ("PwC") and Mr Sizwe Masondo in their respective capacities as the appointed external audit firm and lead audit partner
- Approved the auditor's terms of engagement and fees. Fees for audit-related services incurred during the year amounted to R11 million and non-audit fees amounted to R2 million (2020: R10 million and R1.3 million, respectively)
- Satisfied itself that the external auditor and lead audit partner are both accredited and not included in the JSE's list of disqualified auditors

- Approved the external auditors' annual plan for the 2021 annual audit as well as the related scope of work, and the appropriateness of key audit risks identified
- Reviewed the findings and recommendation of the external auditors and confirmed that there were no noteworthy unresolved matters at the end of the financial period
- Reviewed the quality and effectiveness of the external audit process, based on the Committee's own assessment, the views of management and PwC's own assessment, and found it to be satisfactory. Confirmation was obtained from PwC that no material matters had been raised in regulatory or internal reviews of the audit partner
- Considered the external auditor's suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the Listings Requirements.

Key focus areas in 2022

Within the context of the ongoing Covid-19 pandemic, the significant areas of focus for the Committee will be:

- Continued focus on governance and the regulatory control environment
- Continued focus on the robustness of the internal control framework over financial reporting to support the Chief Executive and Chief Financial Officer's responsibility statement
- Continued focus on IT governance and the related control environment
- Reviewing business performance against targets
- Oversight of internal controls around the planned capital expenditure on the group's major multi-year projects currently in execution

The Committee is satisfied that, in respect of the period under review, it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the Listings Requirements, the Companies Act and the King™.

I would like to extend my appreciation to management, the external auditors, internal auditors and fellow Committee members for their work and support throughout the year.

SS Ntsaluba
Chairman of the Audit Committee

21 February 2022

Independent auditor's report

To the shareholders of Kumba Iron Ore Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Kumba Iron Ore Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Kumba Iron Ore Limited's consolidated and separate financial statements set out on pages 24 to 106 comprise:

- the consolidated and separate statements of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

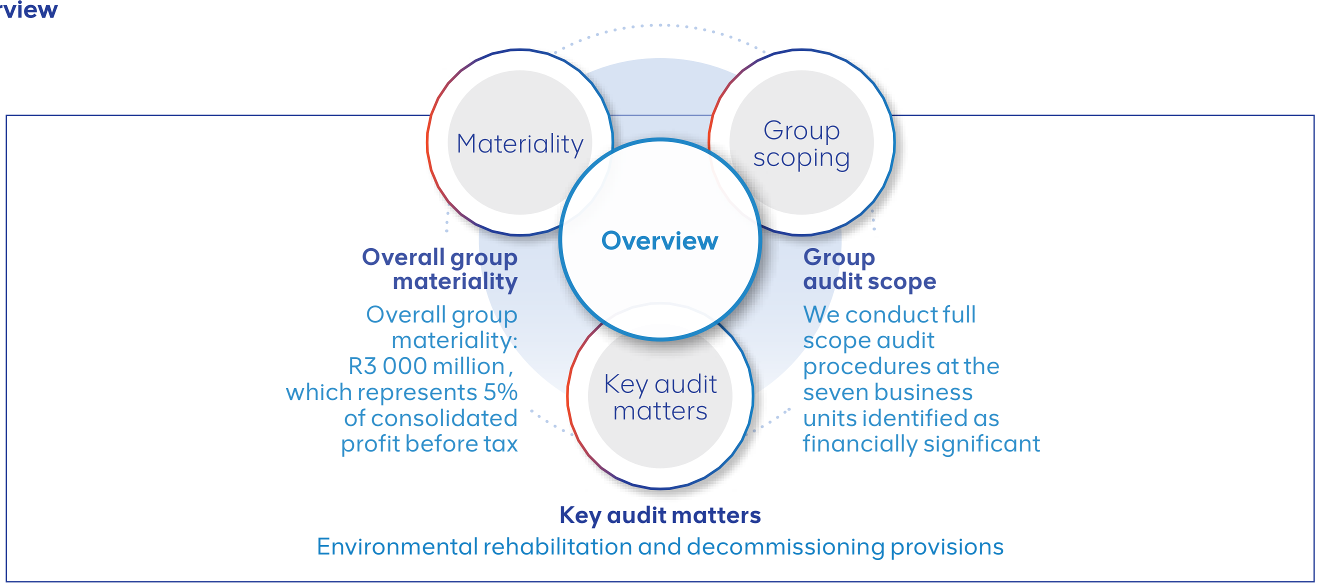
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Our audit approach

Overview



As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality

R3 000 million

How we determined it

5% of consolidated profit before taxation

Rationale for the materiality benchmark applied

We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In scope business units were identified based on the business unit's contribution to key financial statement line items (consolidated profit/loss before taxation, consolidated revenue or consolidated total assets), risk associated with the business unit and known accounting matters related to the business unit. We conducted full scope audit procedures at the seven business units identified as financially significant, consisting of the four operating divisions, two marketing entities and the Company in order to obtain sufficient appropriate audit evidence over the consolidated numbers. We concluded that all other entities within the Group are financially inconsequential, individually and in aggregate. We performed analytical review procedures at a group level on these financially inconsequential entities.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

Key audit matters continued

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters to report with respect to the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation and decommissioning provisions	
Refer to principal accounting policies 5.3 (Provision for environmental rehabilitation and decommissioning) and note 9 (Provisions) to the consolidated financial statements. As of 31 December 2021, the Group's environmental rehabilitation and decommissioning provisions amounted to R2 736 million. Management reviews the environmental rehabilitation and decommissioning provisions on an annual basis, using experts to provide support in its assessment where appropriate. The increase in the financial provision was impacted by changes in closure costs estimates, changes in discount rates and life-of-mine changes. The determination of the environmental rehabilitation and decommissioning provisions was considered to be a matter of most significance to the current year audit due to: • The significant judgement and assumptions (closure costs estimates and discount rates) applied by management in determining the environmental rehabilitation and decommissioning provision; and • The significance of the potential risk of material misstatement inherent in determining the provision.	Through our discussions with management and inspection of underlying calculations, we gained an understanding of the methodology applied and calculations used by management in determining the environmental rehabilitation and decommissioning provisions. Making use of our sustainability and environmental expertise, we performed the following procedures: • We assessed management's process to determine the environmental rehabilitation and decommissioning provisions, and found this to be materially consistent with industry practice. • We assessed the objectivity, competence and experience of management's experts through inspection of Curriculum Vitae ("CVs") and membership certificates from professional bodies where applicable. No aspects requiring further consideration were noted. • We assessed the appropriateness of the underlying cost assumptions by evaluating that costs underpinning the provisions represent management's and the experts' best estimate of expenditure. As part of this evaluation, we considered the required rehabilitation activities against the mining activity to date, the costs of those activities against current best estimates of costs relating to those activities, and consistency of the cash flows in the rehabilitation model with the Group's rehabilitation and closure plans. We noted no material aspects in this regard requiring further consideration. • We assessed whether the closure costs used by management's experts considered the requirements of the relevant laws and regulations, both to assess whether a legal obligation exists to raise the provision, as well as to identify potential environmental liabilities that were not provided for which could be of material significance and noted no material exceptions in this regard. We independently recalculated management's discount rates applied with reference to relevant third-party sources. Where discount rates determined by us differed from that used by management, the impact of such differences was assessed to be immaterial. We tested the mathematical accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with management's calculations. We noted no material differences.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Kumba Iron Ore Limited Audited Annual Financial Statements 2021", which includes the Directors' Report, the Report of the Audit Committee and the Certificate of the Company Secretary as required by the Companies Act of South Africa and the document titled "Kumba Iron Ore Limited Ore Reserve (and saleable product) and Mineral Resource Report 2021", which we obtained prior to the date of this auditor's report, and the document titled "Kumba Iron Ore Limited Integrated Report 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Kumba Iron Ore Limited for two years.

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor
Johannesburg, South Africa

21 February 2022

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Principal accounting policies

for the year ended 31 December 2021

1. General information

Kumba Iron Ore Limited ("Kumba") is the holding company of the Kumba group. Kumba is a mining group of companies focusing on the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. Kumba produces iron ore at Sishen and Kolomela mines in the Northern Cape province.

Kumba is a public company listed on the JSE Limited and is incorporated and domiciled in the Republic of South Africa.

2. Basis of preparation

2.1 Accounting framework

The group and Company financial statements are prepared in accordance with the IFRS as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (previously known as International Financial Reporting Interpretations Committee (IFRIC)), the South African Companies Act, the Listings Requirements, and the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Guides as issued by the Financial Reporting Council. The financial statements are authorised for issue by the Company's Board of directors.

The financial statements have been prepared in accordance with the historical cost convention, except for certain financial instruments, share-based payments and biological assets which are measured at fair value.

The consolidated and separate financial statements are prepared on the basis that the group and Company will continue to be a going concern.

The following principal accounting policies and methods of computation were applied by the group and the Company in the preparation of the consolidated and separate financial statements for the financial year ended 31 December 2021. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Statement of compliance

2.2.1 New standards effective for annual periods beginning on or after 1 January 2021

The group has applied the following amendments which were adopted by the group and the Company for the first time for their annual reported period commencing on 1 January 2021:

Standard, amendment or interpretation	Impact on the financial statements
Amendment to IFRS 16 *Leases* (Covid-19 related rent concessions extended to 31 June 2022)	The group did not receive any rent concessions arising as a direct consequence of the Covid-19 pandemic, therefore the amendment has no impact on the consolidated financial statements.
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial instruments: Recognition and measurement* and IFRS 7 *Financial instruments: Disclosure* (interest rate benchmark reform) - Phase 2	These amendments did not have any significant impact on the consolidated financial statements, as the group does not have financial instruments with interest rates linked to the interbank offered rate (IBOR).

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 2 New IFRS accounting standards, amendments and interpretations not yet effective and not early adopted

The accounting standards, amendments to issued accounting standards and interpretations which are relevant to the group but not yet effective at 31 December 2021, are being evaluated for the impact of these pronouncements, and are not expected to have a material impact on the group's financial results. These accounting standards are listed in Annexure 4.

2.3 Impact of the Covid-19 pandemic on the financial results

The group has considered the impact of Covid-19 on each of its significant accounting judgements and estimates. The group's principal source of estimation uncertainty continues to be in relation to assumptions used for the assessment of impairment of non-current assets where indicators of impairment are identified. No further significant estimates have been identified as a result of Covid-19, although the pandemic has increased the level of uncertainty inherent in all future cash flow forecasts.

The iron ore price and Rand/US$ foreign exchange rate assumptions used to forecast future cash flows for impairment indicator assessment purposes have been updated to consider both the short-term observable impact of Covid-19 and the forecast medium and longer-term impact on the world economy and commodity prices. No impairment indicators have been identified for the group's non-current assets.

2.4 Currencies

Functional and presentation currency

Items included in the financial statements of each group entity are measured using the functional currency of that entity. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The group and Company financial results are presented in South African Rand, which is Kumba's functional currency and the group's presentation currency.

All amounts have been rounded to the nearest million, unless otherwise indicated.

2.4 Currencies continued

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the group at the average rate of exchange for the year.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency of the group and Company at the rate of exchange ruling at the statement of financial position date. Foreign exchange gains and losses arising on translation are recognised in the statement of profit or loss.

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of Kumba are translated into the presentation currency (South African Rand).

All assets and liabilities, including fair value adjustments arising on acquisitions, are translated at the rate of exchange ruling at the statement of financial position date. Income and expenditure transactions of foreign operations are translated at the average rate of exchange. Resulting foreign exchange gains and losses arising on translation are recognised in the foreign currency translation reserve (FCTR) as a separate component of other comprehensive income.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Kumba Executive Committee.

Management has determined the operating segments of the group based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business principally according to the nature of the products and services provided, with the segment representing a strategic business unit. The reportable operating segments derive their revenue primarily from mining, extraction, production, distribution and selling iron ore and shipping services rendered.

2.6 Events after the reporting period

Recognised amounts in the financial statements are adjusted to reflect events arising after the statement of financial position date that provide evidence of conditions that existed at the statement of financial position date. Events after the statement of financial position date that are indicative of conditions that arose after the statement of financial position date are dealt with in note 31.

3. Company financial statements

The Company, in its separate financial statements, applies the same accounting policies as the group, except for certain items listed below:

3.1 Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint arrangements in the separate financial statements presented by Kumba are recognised at cost less any accumulated impairment.

3.2 Impairment of investments in subsidiaries, associates and joint ventures

The carrying amounts of assets are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount is estimated as the higher of the fair value less costs of disposal and the value in use.

A previously recognised impairment loss is reversed (or partially reversed) if there has been a change in the estimates used to determine the recoverable amount. However, not to an amount higher than the carrying amount that would have been determined had no impairment been recognised in prior years.

3.3 Dividend income

Dividend income, and dividend receivable, are recognised as revenue when the right to receive the payment has been established.

4. Consolidated financial statements

4.1 Basis of consolidation

The consolidated financial statements present the statement of financial position and changes therein, statement of profit or loss and cash flow information of the group. Where necessary, adjustments are made to the results of subsidiaries, joint arrangements and associates to ensure the consistency of their accounting policies with those used by the group.

Intercompany transactions, balances and unrealised profits and losses between group companies are eliminated on consolidation. In respect of joint arrangements and associates, unrealised profits and losses are eliminated to the extent of the group's interest in these entities. Unrealised profits and losses arising from transactions with associates are eliminated against the investment in the associate.

Subsidiaries

Subsidiaries are those entities (including special purpose entities) over which the group has control. Control is achieved where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Principal accounting policies continued

for the year ended 31 December 2021

4. Consolidated financial statements continued

4.1 Basis of consolidation continued

Associates

Associates are all entities over which the group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. Typically, the group owns between 20% and 50% of the voting equity.

Investments in associates are accounted for using the equity method of accounting from the date on which significant influence commences until the date that significant influence ceases and are initially recognised at cost.

Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Joint ventures are accounted for using the equity method.

Equity accounting method

Under the equity method of accounting, interests in associates and joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture (which includes any long-term interest that, in substance, form part of the group's net investment in the associate or joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture. When subsequent profits are made, previously unrecognised losses are first fully eliminated before the profits are recognised as part of the investment.

The total carrying values of investments in associates and joint ventures, including goodwill, are reviewed for impairment when there is objective evidence that the asset is impaired. If impaired, the carrying value of the group's share of the underlying net assets of associates or joint ventures is written down to its estimated recoverable amount and recognised in the statement of profit or loss.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the associates and joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Results of associates are equity accounted from their most recent management accounts.

Non-controlling interests

The effects of transactions with non-controlling interests that do not result in loss of control are recorded in equity as transactions with equity owners of the group. For share purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recorded in the statement of changes in equity.

Statement of financial position

4.2 Property, plant and equipment (owned and leased)

Land and assets under construction, which include capitalised development and mineral exploration and evaluation costs, are measured at cost less any accumulated impairment and are not depreciated.

All other classes of property, plant and equipment are stated at historical cost less accumulated depreciation, and where applicable, accumulated impairment losses.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of items of property, plant and equipment includes all costs incurred to bring the assets to the location and condition necessary for their intended use by the group. The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads. The cost of property, plant and equipment may also include:

i. the estimated costs of decommissioning the assets and site rehabilitation costs to the extent that they relate to the asset
ii. capitalised pre-production expenditure and waste stripping costs
iii. deferred waste stripping costs

The cost of items of property, plant and equipment is capitalised into its various components where the useful life of the components differ from the main item of property, plant and equipment to which the component can be logically assigned. Expenditure incurred to replace or modify a significant component of property, plant and equipment is capitalised and any remaining carrying value of the component replaced is written off as an expense in the statement of profit or loss.

Costs incurred on repairing and maintaining assets are recognised in the statement of profit or loss in the period in which they are incurred.

Gains and losses on the disposal of property, plant and equipment, which are represented by the difference between the net disposal proceeds, if any, and the carrying amount of the item, are recognised in the statement of profit or loss.

Leased assets are presented separately as right-of-use assets in the statement of financial position. Refer to 4.16 below for the accounting policy on initial and subsequent recognition of right-of-use assets.

Depreciation

Depreciation on self-constructed assets commences when the assets are available for use by the group. Depreciation of property, plant and equipment is charged on a systematic basis over the estimated useful lives of the assets after deducting the estimated residual values of the assets, using the straight-line method. Depreciation for right-of-use assets is charged on the same basis except that the period is the shorter of the useful life of the asset (in line with the category of property, plant and equipment to which the asset is classified) and the lease term, unless the title to the asset transfers at the end of the lease term, in which case depreciation is over the useful life, as explained in 4.16 below. The depreciation method applied is reviewed at least at each financial year end, with any changes accounted for as a change in accounting estimate to be applied prospectively. The depreciation charge for each period is recognised in the statement of profit or loss unless it is included in the carrying amount of another asset.

The useful life of an asset is the period of time over which the asset is expected to be used. The estimated useful lives of assets and their residual values are reassessed annually at the end of each reporting period, with any changes in such accounting estimates being adjusted in the year of reassessment and applied prospectively. The estimated useful lives of items of property, plant and equipment (excluding land and assets under construction that are not depreciated) are:

Mineral properties	10 – 18 years
Residential buildings	5 – 18 years
Buildings and infrastructure	5 – 18 years
Machinery, plant and equipment	
Mobile equipment, built-in process computers and reconditionable spares	2 – 18 years
Fixed plant and equipment	10 – 18 years
Loose tools and computer equipment	4 years
Mineral exploration, site preparation and development	5 – 18 years

Research, development, mineral exploration and evaluation costs are expensed in the year in which they are incurred until they result in projects that the group:

- evaluates as being technically or commercially feasible
- has sufficient resources to complete development
- can demonstrate that it will generate probable future economic benefits

Once these criteria are met, all directly attributable development costs and ongoing mineral exploration and evaluation costs are capitalised within property, plant and equipment. During the development of a mine, before production commences, stripping expenses are capitalised as part of the investment in construction of the mine. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Capitalised pre-production expenditure prior to commercial production is assessed for impairment in accordance with the group's accounting policy on impairment of non-financial assets.

Waste stripping expenses

The removal of overburden or waste material is required to obtain access to an ore body. In the production phase of a mine, the mining costs associated with this process are deferred to the extent that the actual stripping ratio of a component is higher than the expected average life-of-mine (LOM) stripping ratio for that component. The deferred costs are charged to operating costs using a unit of production method of depreciation. The ex-pit ore extracted from the related component during the period is expressed as a percentage of the total ex-pit ore expected to be extracted from that component over the LOM and applied to the balance of the deferred stripping asset for that component. The effect of this is that the cost of stripping in the statement of profit or loss is reflective of the average stripping rates for the ore body mined in any given period. This reflects the fact that waste removal is necessary to gain access to the ore body and realise future economic benefits.

The average LOM stripping ratio for the identified components is calculated as the tonnes of ex-pit waste material expected to be removed over the LOM per tonne of ex-pit ore extracted. The cost per tonne is calculated as the total mining costs for each mine for the period under review divided by the mine's total tonnes handled for the period under review.

A component has been identified as a geographically distinct ore body within a pit to which the stripping activities being undertaken within that component could be allocated. Where the pit profile is such that the actual stripping ratio is below the average LOM stripping ratio, no deferral takes place as this would result in a recognition of a liability for which there is no obligation. Instead, this position is monitored and when the cumulative calculation reflects a debit balance deferral commences.

The stripping ratios for each component are reassessed annually at the end of each reporting period. Any changes in such accounting estimates are adjusted in the year of reassessment and applied prospectively.

Principal accounting policies continued

for the year ended 31 December 2021

4. Consolidated financial statements continued

4.3 Impairment of non-financial assets

The group's non-financial assets, other than inventories and deferred tax, are reviewed annually to determine whether there is any indication that those assets are impaired, or previous impairment has reversed, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment or reversal of previous impairment. Recoverable amounts are estimated for individual assets. Where an individual asset cannot generate cash inflows independently, the assets are grouped at the lowest level for which there are separately identifiable cash-generating units (CGUs). The recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognised in the statement of profit or loss.

A previously recognised impairment is reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset or CGU's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of profit or loss.

Exploration and evaluation assets are tested for impairment when development of the property commences or whenever facts and circumstances indicate impairment. An impairment is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount. For the purpose of assessing impairment, the relevant exploration and evaluation assets are included in the existing CGUs of producing properties that are located in the same region.

4.4 Financial assets

Recognition and measurement

The group recognises its financial assets in the statement of financial position when and only when it becomes party to the contractual provisions of the instrument.

At initial recognition, financial assets are measured at fair value plus, in the case of a financial assets not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent reporting dates, financial assets at amortised cost are measured at amortised cost, using the effective interest method, less any impairment losses. Other investments classified at FVTPL are subsequently measured at fair value. The gains and losses from the fair value movements for the period are included in the statement of profit or loss within other gains and losses.

Classification

The group's financial assets are classified into the following measurement categories:

- Financial assets at FVTPL (provisionally priced trade receivables, derivative financial instruments and equity instruments)
- financial assets at amortised cost (debt instruments at amortised cost and cash and cash equivalents)

Financial assets at FVTPL

Financial assets at FVTPL consist of derivative financial assets disclosed as part of long-term prepayments and as part of cash and cash equivalents, provisionally priced trade receivables, variation margins included in derivative financial instruments and investments held by the environmental trust.

Trade receivables at FVTPL

Trade receivables are amounts due from customers for iron ore sold or shipping services rendered in the ordinary course of business.

The majority of the group's sales are provisionally priced, with the sales price only finalised at a date after the sale has taken place. The provisionally priced receivables are measured at FVTPL. When there is uncertainty on the final amount, the trade receivable is marked to market based on the forward price.

Fair value changes due to market variability (i.e. changes in the iron ore index prices) are not in the scope of IFRS 15 *Revenue from Contracts with Customers* and are therefore not presented as revenue from contracts with customers. Changes in the iron ore index prices are accounted for as revenue from other sources and disclosed separately from revenue from contracts with customers.

Financial assets at amortised cost

Financial assets are classified as "at amortised cost" only if the asset is held within a business model whose objective is to collect the contractual cash flows and the contractual terms of the asset give rise to cash flows that are solely payments of principal and interest. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Financial assets at "amortised costs" include cash and cash equivalents, a portion of the trade and other receivables that are not provisionally priced and long-term loans.

Trade receivables and other receivables at amortised cost

As mentioned above, the balance of trade receivables is classified as "amortised cost". Other receivables are amounts due to Kumba for non-sale transactions and include VAT receivable, interest receivable and prepaid expenses. Trade and other receivables classified at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. Where the expected term of a receivable is less than one year, it is presumed that no significant financing component exists.

If collection is expected in one year or less, the receivables are classified as current assets. If not, they are presented as non-current assets.

Cash and cash equivalents
In the consolidated and separate statements of cash flows, cash and cash equivalents comprise bank balances and initial broker margin accounts which meet the definition of cash and cash equivalents. Cash and cash equivalents are measured at amortised cost.

Amounts that are not readily available for the group's operations are disclosed as restricted cash.

Derecognition of financial assets
Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together to another party, with substantially all the risks and rewards of ownership.

4.5 Impairment of financial assets

The group assesses expected credit losses on a forward looking basis which is the difference between the carrying amount of the financial asset and the amount that is expected to be received in respect of that financial asset. The impairment methodology applied to determine the recoverable amount of the financial asset carried at amortised cost depends on the level of credit risk associated with that specific financial asset.

The group applies the simplified expected credit loss model for its trade receivable measured at amortised cost, as permitted by IFRS 9 *Financial Instruments*. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and financial metrics, adjusted as appropriate for observable data. Kumba considers a financial asset in default when contractual payments are 90 days past due.

Expected credit losses are recognised in the statement of profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss.

4.6 Inventories

Inventories comprise finished products, work-in-progress (WIP) and plant spares and consumable stores, and are measured at the lower of cost, determined on a weighted average basis, and net realisable value.

The cost of finished goods and WIP comprises direct labour, other direct costs and fixed production overheads, but excludes finance costs. Fixed production overheads are allocated on the basis of normal capacity. Plant spares and consumable stores are capitalised to the statement of financial position and expensed to the statement of profit or loss as and when they are utilised. When inventories are sold, the carrying amount of inventories sold is recognised as part of cost of sales.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and variable selling expenses. Write-downs to net realisable value and inventory losses are recognised in costs of sales in the statement of profit or loss in the period in which the write-downs or losses occur.

Inventories are included in current assets unless the inventory will not be realised within 12 months after the end of the reporting period, in which case they are presented as non-current assets.

4.7 Financial liabilities

The group's financial liabilities comprise trade and other payables, derivative liabilities and lease liability. Refer to 4.8 below for the detailed accounting policy for derivative financial instruments and 4.16 below for lease liabilities.

Trade and other payables
Trade payables are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Recognition and measurement
The group recognises its financial liabilities in the statement of financial position when and only when the group's entity becomes party to the contractual provisions of the instrument.

At initial recognition, the group measures its financial liabilities at their fair value plus, in the case of a financial liability not at FVTPL, transaction costs that are directly attributable to the issue of the financial liability.

At subsequent reporting dates, financial liabilities are carried at amortised cost, using the effective interest method, and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss.

Derecognition
Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

4.8 Derivative financial instruments

Derivative instruments are categorised as 'at FVTPL' and are classified as current assets or current liabilities. Variation margins included in derivative financial instruments are posted to the exchange on a daily basis, and values can fluctuate depending on the exchange pricing. As a result, variation margins amounts are classified as other receivables or other payables, in line with the nature of these instruments.

All derivative instruments are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently remeasured at fair value at the date of the statement of financial position. Resulting gains or losses on derivative instruments are recognised in the statement of profit or loss.

Principal accounting policies continued

for the year ended 31 December 2021

4. Consolidated financial statements continued

4.9 Offsetting financial instruments

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset and the net amount is reported in the statement of financial position.

4.10 Contract liabilities

At each reporting date, the group recognises contract liabilities in relation to shipping revenue billed to, and paid by, the customer for which the shipping performance obligations had not yet been fulfilled as at the end of the reporting period, as explained in detail in 4.17 below. Contract liabilities are recognised as revenue once the performance obligations have been fulfilled.

4.11 Share capital

Ordinary shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

When issued shares are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

4.12 Dividends payable

Dividends payable, including the related taxation thereon, are recognised by the group when the dividend is declared. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividend withholding tax is levied on the recipient but withheld by the group and remitted to the authorities. A liability is recognised in respect of the tax levied for the period when the dividends are recognised as a liability. Dividend withholding tax is not included in the taxation charge in the statement of profit or loss.

Dividends proposed or declared subsequent to the statement of financial position date are not recognised, but are disclosed in the notes to the consolidated and separate financial statements.

4.13 Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the statement of financial position date. Provisions are not recognised for future operating losses.

Where the effects of discounting are material, provisions are measured at the present value of the cash flow expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost.

Environmental rehabilitation

Environmental rehabilitation provisions

The provision for environmental rehabilitation is recognised as and when an obligation to incur rehabilitation and mine closure costs arises from environmental disturbance caused by the development of or ongoing production from a mining property. Estimated long-term environmental rehabilitation provisions are measured based on the group's environmental policy taking into account current technological, environmental and regulatory requirements. Any subsequent changes to the carrying amount of the provision resulting from changes to the assumptions applied in estimating the obligation are recognised in the statement of profit or loss.

Ongoing rehabilitation expenditure

Ongoing rehabilitation expenditure is recognised in the statement of profit or loss as and when incurred.

Decommissioning provision

The estimated present value of costs relating to the future decommissioning of plant or other site preparation work, taking into account current environmental and regulatory requirements, is capitalised as part of property, plant and equipment, to the extent that it relates to the construction of an asset, and the related provisions are raised in the statement of financial position, as soon as the obligation to incur such costs arises.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from subsequent changes in the estimated timing or amount of cash flows, or a change in discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy on 'Impairment of non-financial assets' above.

4.14 Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the carrying values of assets and liabilities for accounting purposes and the tax bases of these assets and liabilities used for tax purposes and on any tax losses. No deferred tax is provided on temporary differences relating to:

- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition
- investments in subsidiaries to the extent they will probably not reverse in the foreseeable future

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised within the same tax entity. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all of the assets to be recovered.

Deferred tax is calculated at the tax rates and laws that are enacted or substantively enacted in the period when the liability is settled, or when the asset is realised. Deferred tax is recognised in the statement of profit or loss, except when it relates to items recognised directly in equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends, and is able to, settle its current tax assets and liabilities on a net basis. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

4.15 Employee benefits

Post-employment benefits

The group operates defined contribution plans for the benefit of its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate fund. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The plan is funded by payments from employees and the group. The group's contribution to the funds is recognised as employee benefit expense in the statement of profit or loss in the year to which it relates.

The group does not provide guarantees in respect of the returns in the defined contribution funds and has no further payment obligations once the contributions have been paid.

The group does not provide defined employee benefits to its current or previous employees.

Bonus plans

The group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the achievement of agreed Company financial, strategic and operational objectives, linked to key performance areas. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits are due more than 12 months after statement of financial position date, they are discounted to present value.

Equity compensation benefits

The various equity compensation schemes operated by the group allow certain senior employees, including executive directors, the option to acquire shares in Kumba over a prescribed period in return for services rendered. These options are settled by means of the issue of shares. Such equity-settled share-based payments are measured at fair value at the date of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is charged as employee costs on a straight-line basis over the period that the employees become unconditionally entitled to the options, based on management's estimate of the shares that will vest and adjusted for the effect of non-market-based vesting conditions. These share options are not subsequently revalued.

The fair value of the share options is measured using option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered services to statement of financial position date.

Principal accounting policies continued

for the year ended 31 December 2021

4. Consolidated financial statements continued

4.16 Leases

Right-of-use assets

Right-of-use assets are recognised on the statement of financial position within non-current assets. At inception of the lease, a right-of-use asset is recognised at the amount of the corresponding lease liability, adjusted for any lease payments made at or before the lease commencement date, plus any direct costs incurred and an estimated cost for dismantling, removing ore restoring the underlying asset and less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the earlier of the asset's useful life or the end of the lease term.

In addition, the group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for the identified impairment loss as described in the policy for property, plant and equipment.

Lease liabilities

Lease liabilities are recognised on the statement of financial position within borrowings. At inception or on modification of a contract that contains a lease component, the lease liability is recognised as the present value of the expected future lease payments, calculated using the group's incremental borrowing rate, adjusted to reflect the length of the lease. The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Subsequent to initial measurement, the lease liability is reduced for payments made and increased for interest accrued. Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments, less any incentives receivable.

The liability is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value items

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The group recognises the lease payments associated with these leases as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'other expenses' in the statement of profit or loss as disclosed in note 3 to the consolidated financial statements.

Statement of profit or loss

4.17 Revenue recognition

Revenue from contracts with customers as defined in IFRS 15 *Revenue from Contracts with Customers* is derived principally from the sale of iron ore and shipping services rendered and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes.

The group recognises revenue when it is probable that the group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific recognition criteria have been met for each of the group's activities as described below.

Sales of goods – iron ore

Local and export revenue from the sale of iron ore is recognised when control has been transferred. This occurs at a point in time which is usually when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

There are certain of the group's sales of iron ore that are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue in respect of such sales is initially recognised at the market iron ore price on the date of initial recognition, being the bill of lading date. At each reporting date, the provisional price of each sale is estimated to be marked to market with reference to the Platts Iron Ore Index (IODEX), with revenue adjusted to reflect the latest provisional price. Once the transaction price for the sale has been confirmed, the difference between the confirmed iron ore price and the provisional price at initial recognition date is classified as revenue from other sources. The related account receivables are also adjusted to reflect the movements in the provisional pricing.

Furthermore, the group trades in iron ore price derivatives on sales transactions where there is a quotation period mismatch. Net movements in fair value of these derivative financial instruments are recognised as revenue from other sources, as trading activities are regarded as part of the group's ordinary activities.

Shipping services

Revenue from shipping services is recognised over time as and when the performance obligation has been fulfilled and accepted by the customer. For contracts which contain separate performance obligations for the sale of iron ore and the provision of shipping services, the portion of the revenue representing the obligation to perform the shipping service is deferred and recognised over time as the obligation is fulfilled, along with the associated costs.

Amounts billed to customers in respect of shipping and handling activities are classified as revenue where the group is responsible for the shipping services.

For cost and freight (CFR), insurance and freight arrangements, the transaction price, as determined above, is allocated to the ore and shipping services using the relative stand-alone selling price method. Under these arrangements, the customer may be required to make a provisional payment on the date of shipment. Therefore, a portion of the amount paid by the customer relating to shipping services still to be provided is deferred at each reporting date. To measure progress towards complete satisfaction of the shipping service which best represents the group's performance, and therefore the amount to be recognised as revenue for the period, the output method, being the number of shipping days that have elapsed as a proportion of total expected shipping days, is used. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the group as the services are being provided. The deferred revenue is recognised as a contract liability in the statement of financial position.

4.18 Income from investments

Interest income

Interest is recognised on the time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividend income

Dividend income from investments is recognised by the Company and group when the shareholders' rights to receive payment have been established. All dividend income received and dividends paid within the group are eliminated on consolidation.

4.19 Employee benefits: short-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognised in the statement of profit or loss during the period in which the employee renders the related service.

4.20 Taxation

The income tax charge for the period is determined based on profit before tax for the year and comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the related tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current tax charge is the calculated tax payable on the taxable income for the year using tax rates that have been enacted or substantively enacted by the statement of financial position date and any adjustments to tax payable in respect of prior years. Taxable profit differs from net profit as reported in the statement of profit or loss because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are not taxable or deductible.

Dividend tax

Dividend withholding tax is levied on dividend recipients and has no impact on the group's taxation charge as reflected in the statement of profit or loss.

4.21 Earnings per share

The group presents basic and diluted earnings per share (EPS) and basic and diluted headline earnings per share (HEPS) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of Kumba by the weighted average number of ordinary shares outstanding during the year.

HEPS is calculated by adjusting the profit or loss attributable to ordinary shareholders of Kumba for all separately identifiable remeasurements, for example gains and losses arising on disposal of assets, net of related tax (both current and deferred) and related non-controlling interest, other than remeasurements specifically included in headline earnings. The result is divided by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS and HEPS are determined by adjusting the basic and headline earnings attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Principal accounting policies continued

for the year ended 31 December 2021

5. Significant accounting judgements and estimates

The preparation of the financial statements requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and estimates and assumptions of the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognised prospectively.

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year:

5.1 Property, plant and equipment (owned and leased)

In determining the depreciable amount, management makes certain assumptions with regard to the residual value of assets based on the expected estimated amount that the group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. If an asset is expected to be abandoned the residual value is estimated at zero.

The estimation of the useful life of the asset is a matter of judgement based on the experience of the group with similar assets. In determining the useful life of items of property, plant and equipment that is depreciated, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

This estimate is further impacted by management's best estimation of proved and probable iron ore reserves and the expected future life of each of the mines within the group. The forecast production could be different from the actual iron ore mined. This would generally result from significant changes in the factors or assumptions used in estimating iron ore reserves. These factors could include:

- changes in proved and probable iron ore reserves;
- differences between achieved iron ore prices and assumptions;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing, reclamation and logistics costs, discount rates and foreign exchange rates.

Any change in management's estimate of the useful lives and residual values of assets would impact the depreciation charge. Any change in management's estimate of the total expected future life of each of the mines would impact the depreciation charge as well as the estimated rehabilitation and decommissioning provisions.

5.2 Waste stripping costs

The rate at which costs associated with the removal of overburden or waste material is capitalised as development costs or charged as an operating cost is calculated per component of each mine, using management's best estimates of the:

- average life-of-component stripping ratio
- total expected production over the LOM.

The average LOM stripping ratio is recalculated when a new LOM plan is designed and approved for use in light of additional knowledge and changes in estimates. Any change in management's estimates would impact the stripping costs capitalised and depreciation of the related asset.

5.3 Provision for environmental rehabilitation and decommissioning

The provisions for environmental rehabilitation and decommissioning costs are calculated using management's best estimate of the costs to be incurred based on the group's environmental policy, taking into account current technological, environmental and regulatory requirements discounted to a present value. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Actual costs incurred in future periods could differ from the estimates. Additionally, future changes to environmental laws and regulations, LOM estimates and discount rates used could affect the carrying amount of this provision. As a result, the liabilities that we report can vary if our assessment of the expected expenditures changes.

5.4 Estimation of deemed gross sales value of revenue for calculating mineral royalty

In terms of the Mineral and Petroleum Resources Royalty Act, 28 of 2008 and the Mineral and Petroleum Resources Royalty Administration Act, 29 of 2008, the specified condition for iron ore used to calculate the mining royalty payable is deemed to have been extracted at a 61.5% Fe specified condition. Management is required to make certain judgements and estimates in determining the gross sales value of the ore extracted at the group's mines.

5.5 Provisionally priced revenue from spot sales

Certain of the group's spot sales are provisionally priced at the reporting date as the final sales price for these sales are not settled until a predetermined future date based on the average iron ore price at that time. Revenue from these sales is initially recognised at the current market rate on the bill of lading date, being the date that the revenue recognition criteria is met.

Provisionally priced sales are marked to market with reference to the Platts IODEX price at each reporting date. The forward market for iron ore is not considered sufficiently liquid and therefore the closing iron ore price for the month is assumed to continue into the following month for the purposes of calculating the provisionally priced revenue transactions.

5.6 Ore reserve and mineral resource estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the group's mining properties. Such reserves and mineral resource estimates and changes to these may impact the group's reported financial position and results, in the following way:

- Provisions for environmental rehabilitation and decommissioning provision may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities
- Capitalised waste stripping costs recognised in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios
- Depreciation charges in the statement of profit or loss may change where such charges are determined using the units of production method, or where the useful life of the related assets change
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The group estimates its Ore Reserves and Mineral Resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity and product prices, future capital requirements, transport costs, discount rates, production costs, decommissioning and environmental rehabilitation costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The group estimates and reports Ore Reserves and Mineral Resources in line with the principles contained in the SAMREC Code – 2016 edition).

Sishen's remaining LOM increased by three years in 2021, mainly due to the completion of the feasibility study for the ultra-high dense media separation technology during year which has extended Sishen's life of mine by four years (2021: 18 years to 2039 (2020: 15 years to 2035)) and for Kolomela, the remaining life of mine increased by one year, mainly as a result of reduced forecast annual production (2021: 13 years to 2034 (2020: 12 years to 2032)).

6. Other accounting judgements and estimates

6.1 Consolidation of special purpose entities (SPEs)

The group sponsors the formation of SPE primarily to hold Kumba shares for the benefit of employees. SPEs are consolidated when the substance of the relationship between the group and the SPE indicates control. As it can sometimes be difficult to determine whether the group controls an SPE, management makes judgements about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

6.2 Leases

Identification of non-lease components

In instances where the consideration for mining service contracts is not split for lease and non-lease components, the group estimates the amounts. The lease contract component is estimated as the costs incurred to bring the underlying mining equipment onto site, (i.e. site establishment costs) and the costs incurred to remove the mining equipment from site (i.e. site destablishment costs) at the end of the lease agreement.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise, or not to exercise, an extension option. Extension options are only included in the lease term for instances where the group is reasonably certain that it will extend or will not terminate the lease when the lease expires. For all leases, the most relevant factor includes historical lease durations, related costs and the possible business disruption as a result of replacement of the leased asset.

The group continuously assesses the occurrence of a significant event or a significant change in circumstances that is within the control of the group, which affects the lease term.

Determining the incremental borrowing rate

Interest rate implicit in leases is not available, therefore, the group uses the relevant incremental borrowing rate (IBR) to measure its lease liabilities. The IBR is estimated to be the interest rate that the group would pay to borrow:

- over a similar term
- with similar security
- the amount necessary to obtain an asset of a similar value to the right-of-use asset
- in a similar economic environment

The IBR, therefore, is considered to be the best estimate of the incremental rate and requires management's judgement as there are no observable rates available.

Principal accounting policies continued

for the year ended 31 December 2021

6. Other accounting judgements and estimates continued

6.3 Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing term facilities, to conclude that the going-concern assumption used in the compiling of its annual financial statements is appropriate.

6.4 Segmental reporting

In applying IFRS 8 *Operating Segments*, management makes judgements with regard to the identification of reportable operating segments of the group in a manner consistent with the internal reporting provided to the CODM.

6.5 Fair value assessment

The assessment of fair value is principally used in accounting for impairment testing and the valuation of certain financial assets and liabilities.

The determination of assumptions used in assessing the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results. In particular, expected future cash flows, which are used in discounted cash models, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure.

The fair value of identifiable financial assets and liabilities that are not traded in an active market is determined by using observable market data (in the case of listed entities, market share price at 31 December of the respective entity) or discounted cash flow (DCF) models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. Where DCFs are used, the resulting fair value measurements depend, to a significant extent, on unobservable valuation inputs.

The group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the statement of financial position date.

6.6 Impairment of assets

Accounting judgements

The group assesses at each reporting date whether there are any indicators that its assets and CGUs may be impaired. Operating and economic assumptions, which could affect the valuation of assets using DCF, are updated regularly as part of the group's planning and forecasting processes. Judgement is therefore required to determine whether the updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal. The judgement also takes into account the group's long-term economic forecasts, market consensus and sensitivity analysis of the DCF models used to value the group's assets. Assets (other than goodwill) that have been previously impaired are assessed for indicators of both impairment and impairment reversal. Such assets are, by definition, carried on the statement of financial position at a value close to their recoverable amount at the last assessment. Therefore, in principle any change to operational plans or assumptions, economic parameters, or the passage of time, could result in further impairment or impairment reversal if an indicator is identified.

The calculation of the recoverable amount of a CGU is based on assessments of the higher of the fair value less costs of disposal or value in use. The cash flow projections used in these assessments are subject to the areas of judgement outlined below.

Cash flow projections for impairment testing

Expected future cash flows used in DCF models are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including Ore Reserves and Mineral Resources, together with economic factors such as commodity prices, exchange rates, discount rates and estimates of production costs and future capital expenditure. Where DCF models based on management's assumptions are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy, as defined in IFRS 13 *Fair Value Measurement*, as they depend to a significant extent on unobservable valuation inputs.

Cash flow projections are based on financial budgets and LOM plans or, for non-mine assets, an equivalent appropriate long-term forecast, incorporating key assumptions as detailed below:

- *Reserves and resources*
  Ore Reserves and, where considered appropriate, mineral resources, are incorporated in projected cash flows, based on Ore Reserves and Mineral Resource statements and exploration and evaluation work undertaken by appropriately qualified persons. Mineral resources are included where management has a high degree of confidence in their economic extraction, despite additional evaluation still being required prior to meeting the requirements of reserve classification.
- *Commodity and product prices*
  Commodity and product prices are based on latest internal forecasts, benchmarked with external sources of information, to ensure they are within the range of available analyst forecasts. Where existing sales contracts are in place, the effects of such contracts are taken into account in determining future cash flows.
- *Foreign exchange rates*
  Foreign exchange rates are based on the latest internal forecasts, benchmarked with external sources of information. Foreign exchange rates are kept constant (on a real basis) for the long term.

- *Discount rates*
  Cash flow projections used in fair value less costs of disposal impairment models are discounted based on a real discount rate of 7% (2020: 7%). To the extent that specific risk factors were not incorporated into the discount rate, adjustments were made to the cash flow projections.
- *Operating costs, capital expenditure and other operating factors*
  Operating costs and capital expenditure are based on financial budgets covering a five-year period. Cash flow projections beyond five years are based on the LOM, as applicable, and internal management forecasts. Cost assumptions incorporate management experience and expectations.

6.7 Equity-settled share-based payment reserve

Management makes certain judgements in respect of selecting appropriate fair value option pricing models to be used in estimating the fair value of the various share-based payment arrangements in respect of employees and SPEs. Judgements and assumptions are also made in calculating the variable elements used as inputs in these models. The inputs that are used in the models include, but are not limited to, the expected vesting period and related conditions, share price, dividend yield, share option life, risk-free interest rate and annualised share price volatility (refer to note 21).

6.8 Cash and cash equivalents

Certain of the group's short-term cash deposits, included in cash and cash equivalents, are placed with subsidiaries of the ultimate holding company, and funds are drawn down from these entities when required. In determining the presentation of the cash deposits, management makes certain judgements which mainly consider the short-term lead time to access the cash deposits. The funds are readily available and can be accessed and withdrawn within a period of one to two days. As a result, the group accounts for these short-term deposits as cash and cash equivalents within the consolidated financial statements.

For the purpose of presentation on the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined, net of debt facilities as they are considered integral part of the group's cash management.

Statement of financial position

as at 31 December

Rand million	Notes	2021	2020
ASSETS			
Property, plant and equipment	2	**43,233**	40,165
Right-of-use assets	3	**393**	465
Biological assets		**31**	24
Investments held by environmental trust	4	**795**	656
Investment in associate		**50**	—
Long-term prepayments and other receivables	5	**166**	144
Inventories	6	**4,349**	3,741
Deferred tax assets	10	**1**	1
Non-current assets		**49,018**	45,196
Inventories	6	**6,781**	5,858
Trade and other receivables	7	**7,366**	8,756
Current tax assets		**793**	—
Cash and cash equivalents	8	**17,925**	22,707
Current assets		**32,865**	37,321
Total assets		**81,883**	82,517
EQUITY AND LIABILITIES			
Shareholders' equity		**44,617**	47,446
Non-controlling interests	22	**13,841**	14,744
Total equity		**58,458**	62,190
LIABILITIES			
Lease liabilities	3	**275**	335
Provisions	9	**2,595**	2,607
Deferred tax liabilities	10	**10,526**	9,586
Non-current liabilities		**13,396**	12,528
Lease liabilities	3	**146**	179
Provisions	9	**221**	117
Trade and other payables	11	**9,011**	6,693
Contract liabilities	11	**389**	194
Current tax liabilities		**262**	616
Current liabilities		**10,029**	7,799
Total liabilities		**23,425**	20,327
Total equity and liabilities		**81,883**	82,517

Statement of profit or loss

for the year ended 31 December

Rand million	Notes	2021	2020
Revenue	12	**102,092**	80,104
Operating expenses	13	**(42,441)**	(39,105)
Expected credit losses on financial assets	7	**(143)**	(161)
Operating profit	14	**59,508**	40,838
Finance income	17	**779**	624
Finance costs	17	**(285)**	(258)
Profit before taxation		**60,002**	41,204
Taxation	18	**(16,345)**	(11,363)
Profit for the year		**43,657**	29,841
Attributable to:			
Owners of Kumba		**33,266**	22,779
Non-controlling interests		**10,391**	7,062
		43,657	29,841
Earnings per share attributable to the ordinary equity holders of Kumba (Rand per share)			
Basic	19	**103.67**	71.03
Diluted	19	**103.37**	70.79

Statement of other comprehensive income

for the year ended 31 December

Rand million	2021	2020
Profit for the year	**43,657**	29,841
Other comprehensive income for the year[1]	**827**	(111)
Exchange differences on translation of foreign operations	**827**	(111)
Total comprehensive income for the year	**44,484**	29,730
Attributable to:		
Owners of Kumba	**33,897**	22,694
Non-controlling interests	**10,587**	7,036
	44,484	29,730

[1] There is no tax attributable to items included in other comprehensive income and all items will subsequently be reclassified to profit or loss.

Statement of changes in equity

for the year ended 31 December

Rand million	Notes	Share capital and share premium	Treasury shares	Equity-settled share-based payments reserve	Foreign currency translation reserve	Retained earnings	Share-holders' equity	Non-controlling interests	Total equity
	Notes	20	20	21				22	
Balance at 31 December 2019		367	(372)	183	1,242	34,810	36,230	11,294	47,524
Net movement in treasury shares under employee share incentive schemes		–	(201)	–	–	–	(201)	–	(201)
Equity-settled share-based payment expenses		–	–	186	–	–	186	–	186
Vesting of shares under employee share incentive schemes		–	88	(84)	–	(4)	–	–	–
Total comprehensive income for the year		–	–	–	(84)	22,778	22,694	7,036	29,730
Dividends paid		–	–	–	–	(11,463)	(11,463)	(3,586)	(15,049)
Balance at 31 December 2020		**367**	**(485)**	**285**	**1,158**	**46,121**	**47,446**	**14,744**	**62,190**
Net movement in treasury shares under employee share incentive schemes		**–**	**(220)**	**–**	**–**	**–**	**(220)**	**–**	**(220)**
Equity-settled share-based payment expenses		**–**	**–**	**212**	**–**	**–**	**212**	**–**	**212**
Vesting of shares under employee share incentive schemes		**–**	**148**	**(174)**	**–**	**26**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**631**	**33,266**	**33,897**	**10,587**	**44,484**
Dividends paid		**–**	**–**	**–**	**–**	**(36,718)**	**(36,718)**	**(11,490)**	**(48,208)**
Balance at 31 December 2021		**367**	**(557)**	**323**	**1,789**	**42,695**	**44,617**	**13,841**	**58,458**

Dividend per share

Rand	2021	2020
Interim	**72.70**	19.60
Final[1]	**30.50**	41.30
Total	**103.20**	60.90

[1] The final dividend for 2021 was declared subsequent to the year end and is presented for information purposes only.

Equity-settled share-based payments reserve

The equity-settled share-based payments reserve comprises the value of services rendered that has been settled through the issue of shares or share options.

Foreign currency translation reserve

The FCTR reserve comprises all foreign exchange differences arising from the translation of the financial results of foreign operations to the presentation currency of Kumba.

Statement of cash flows

for the year ended 31 December

Rand million	Notes	2021	2020
Cash flows from operating activities			
Cash receipts from customers		**103,644**	74,774
Cash paid to suppliers and employees		**(38,674)**	(34,435)
Cash generated from operations	23	**64,970**	40,339
Finance income received	24	**751**	630
Finance expense paid	24	**(175)**	(162)
Taxation paid	25	**(16,602)**	(10,146)
		48,944	30,661
Cash flows utilised in investing activities			
Additions to property, plant and equipment	27	**(6,253)**	(5,746)
Acquisition of financial asset at fair value through profit or loss		**(10)**	–
Acquisition of interest in associate		**(50)**	–
Proceeds from disposal of property, plant and equipment		**44**	4
		(6,269)	(5,742)
Cash flows utilised in financing activities			
Purchase of treasury shares		**(220)**	(201)
Dividends paid to owners of Kumba	26	**(36,718)**	(11,463)
Dividends paid to non-controlling shareholders	26	**(11,490)**	(3,586)
Payment of lease liabilities		**(139)**	(149)
		(48,567)	(15,399)
Net (decrease)/increase in cash and cash equivalents		**(5,892)**	9,520
Cash and cash equivalents at the beginning of the year	8	**22,707**	12,865
Foreign currency exchange gains on cash and cash equivalents		**1,110**	322
Cash and cash equivalents at the end of the year	8	**17,925**	22,707

Notes to the annual financial statements

for the year ended 31 December

1. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Kumba Executive Committee.

The Kumba Executive Committee considers the business principally according to the nature of the products and services provided, with the identified segments each representing a strategic business unit. "Other" segments comprise corporate, administration and other expenditure not allocated to the reported segments.

The total reported segment revenue comprises revenue from external customers and is measured in a manner consistent with that disclosed in the statement of profit or loss. The performance of the operating segments is assessed based on EBITDA, which is considered to be a more appropriate measure of profitability for the group's business. Finance income and finance costs are not allocated to segments as the treasury activity is managed on a central group basis.

Total segment assets comprise finished product and WIP inventories only, which are allocated based on the operations of the segment and the physical location of the asset.

Depreciation, staff costs, impairment of assets and additions to property, plant and equipment are not reported to the CODM per segment but are significant items which are included in EBITDA and/or reported on for the group as a whole.

	Products[1]		Services			
Rand million	**Sishen mine**	**Kolomela mine**	**Logistics[2]**	**Shipping operations**	**Other**	**Total**
2021						
Statement of profit or loss						
Total external revenue	67,612	27,511	—	6,969	—	102,092
EBITDA	51,446	21,254	(7,060)	505	(1,587)	64,558
Significant items in the statement of profit or loss:						
Depreciation	3,327	1,521	8	—	194	5,050
Staff costs	3,141	1,179	37	—	1,263	5,620
Statement of financial position						
Total segment assets	4,857	4,082	483	—	—	9,422
Statement of cash flows						
Additions to property, plant and equipment						
Expansion capital expenditure	988	400	—	—	—	1,388
SIB capital expenditure	2,290	848	—	—	2	3,140
Deferred stripping	814	911	—	—	—	1,725

[1] Derived from extraction, production and selling of iron ore.
[2] No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved.

1. Segmental reporting continued

Rand million	Products[1] Sishen mine	Products[1] Kolomela mine	Services Logistics[2]	Services Shipping operations	Other	Total
2020						
Statement of profit or loss						
Total external revenue	51,971	22,553	—	5,580	—	80,104
EBITDA	37,652	16,549	(6,571)	(17)	(1,805)	45,808
Significant items in the statement of profit or loss:						
Depreciation	3,416	1,376	9	—	169	4,970
Staff costs	3,083	1,147	32	—	744	5,006
Statement of financial position						
Total segment assets	3,840	3,447	513	—	—	7,800
Statement of cash flows						
Additions to property, plant and equipment						
Expansion capital expenditure	415	175	—	—	—	590
SIB capital expenditure	1,793	857	—	—	4	2,654
Deferred stripping	1,523	979	—	—	—	2,502

[1] Derived from extraction, production and selling of iron ore.
[2] No revenue is reported for this segment as its performance is reviewed with reference to volumes railed and rail tariffs achieved.

Reconciliation of reportable segments' assets to inventories:

Rand million	Note	2021	2020
Finished product		**2,563**	1,755
WIP		**6,859**	6,045
Segment assets		**9,422**	7,800
Plant spares and stores		**1,708**	1,799
Balance per statement of financial position	6	**11,130**	9,599

Reconciliation of operating profit to EBITDA:

Rand million	2021	2020
Operating profit per statement of profit or loss	**59,508**	40,838
Add back:		
Depreciation	**5,050**	4,970
EBITDA	**64,558**	45,808

Geographical analysis of revenue and non-current assets:

Rand million	2021	Restated 2020
Sale of iron ore	**93,570**	66,741
Services rendered – shipping	**6,969**	5,580
Revenue from other sources	**1,553**	7,783
Total external revenue	**102,092**	80,104
Geographical analysis of revenue		
Domestic – South Africa	**237**	409
Export	**101,855**	79,695
China	**43,257**	50,221
Rest of Asia	**24,645**	14,485
Europe	**33,627**	14,421
MENA	**131**	385
Americas	**195**	183
Total external revenue	**102,092**	80,104

All non-current assets, excluding investments in associates and joint ventures, are located in South Africa.

Notes to the annual financial statements continued

for the year ended 31 December

2. Property, plant and equipment

Rand million	Land	Mineral properties	Residen-tial buildings	Buildings and infra-structure	Machi-nery, plant and equip-ment	Mineral explora-tion, site prepara-tion and develop-ment	Assets under construc-tion	Total
2021								
Cost								
Balance at the beginning of the year	350	621	3,634	6,840	40,631	18,308	2,508	72,892
Additions (refer to note 27)	–	–	–	–	–	1,725	6,283	8,008
Capital acquisitions	–	–	–	–	–	–	6,283	6,283
Deferred stripping	–	–	–	–	–	1,725	–	1,725
Changes in decommissioning provision (refer to note 9)	–	–	–	1	1	–	(5)	(3)
Disposals and scrapping	–	–	–	–	(490)	–	–	(490)
Transfers between asset classes	–	–	(26)	230	1,523	–	(1,727)	–
Balance at 31 December 2021	350	621	3,608	7,071	41,665	20,033	7,059	80,407
Accumulated depreciation								
Balance at the beginning of the year	–	413	1,211	2,529	24,025	4,526	–	32,704
Depreciation	–	15	146	369	3,168	1,205	–	4,903
Disposals and scrapping	–	–	–	–	(456)	–	–	(456)
Transfers between asset classes	–	–	(8)	7	1	–	–	–
Balance at 31 December 2021	–	428	1,349	2,905	26,738	5,731	–	37,151
Impairment								
Balance at the beginning of the year	–	–	–	–	23	–	–	23
Balance at 31 December 2021	–	–	–	–	23	–	–	23
Carrying amount at 31 December 2021	350	193	2,259	4,166	14,904	14,302	7,059	43,233

Rand million	Land	Mineral properties	Residential buildings	Buildings and infrastructure	Machinery, plant and equipment	Mineral exploration, site preparation and development	Assets under construction	Total
2020								
Cost								
Balance at the beginning of the year	350	621	3,634	6,726	38,390	15,635	1,826	67,182
Additions (refer to note 27)	—	—	—	—	26	2,502	3,558	6,086
Capital acquisitions	—	—	—	—	26	—	3,558	3,584
Deferred stripping	—	—	—	—	—	2,502	—	2,502
Changes in decommissioning provision (refer to note 9)	—	—	—	(26)	(31)	—	40	(17)
Disposals and scrapping	—	—	—	—	(359)	—	—	(359)
Transfers between asset classes	—	—	—	140	2,605	171	(2,916)	—
Balance at 31 December 2020	350	621	3,634	6,840	40,631	18,308	2,508	72,892
Accumulated depreciation								
Balance at the beginning of the year	—	394	1,032	2,158	21,241	3,381	—	28,206
Depreciation	—	19	179	371	3,122	1,145	—	4,836
Disposals and scrapping	—	—	—	—	(338)	—	—	(338)
Balance at 31 December 2020	—	413	1,211	2,529	24,025	4,526	—	32,704
Impairment charge								
Balance at the beginning of the year	—	—	—	—	23	—	—	23
Balance at 31 December 2020	—	—	—	—	23	—	—	23
Carrying amount at 31 December 2020	350	208	2,423	4,311	16,583	13,782	2,508	40,165

The group generated proceeds from disposal of items of property, plant and equipment of R44 million (2020: R4 million).

The estimated replacement value of assets for insurance purposes and assets under construction at cost amounts to R84 billion (2020: R81 billion).

A register of land and buildings is available for inspection at the registered office of the Company.

None of the assets are encumbered as security for any of the group's liabilities, nor is the title to any of the assets restricted.

Rand million	**2021**	2020
Capital commitments		
Capital commitments include all items of capital expenditure for which specific Board approval has been obtained up to statement of financial position date. Capital expenditure will be financed principally from cash generated from operations.		
Capital expenditure still in the study phase of the project pipeline for which specific Board approvals have not yet been obtained are excluded.		
Capital expenditure contracted for plant and equipment[1]	**2,858**	1,361
Capital expenditure authorised for plant and equipment but not contracted[1]	**7,568**	7,736

[1] The majority of capital commitments is attributable to the Kapstevel South project which commenced during 2020.

Notes to the annual financial statements continued

for the year ended 31 December

3. Leases

This note provides information for leases where the group is a lessee.

Amounts recognised in the statement of financial position:

(a) Right-of-use assets

Rand million	Residential buildings	Buildings and infrastructure	Machinery, plant and equipment	Total
2021				
Cost				
Balance at the beginning of the year	**362**	**79**	**212**	**653**
Additions	**84**	**22**	**28**	**134**
Early termination of lease agreements	**(97)**	**—**	**(1)**	**(98)**
Balance at 31 December 2021	**349**	**101**	**239**	**689**
Accumulated depreciation				
Balance at the beginning of the year	**70**	**50**	**68**	**188**
Depreciation	**79**	**24**	**44**	**147**
Early termination of lease agreements	**(38)**	**—**	**(1)**	**(39)**
Balance at 31 December 2021	**111**	**74**	**111**	**296**
Carrying amount at 31 December 2021	**238**	**27**	**128**	**393**
2020				
Cost				
Balance at the beginning of the year	344	78	149	571
Additions	117	1	65	183
Early termination of lease agreements	(99)	—	(2)	(101)
Balance at 31 December 2020	362	79	212	653
Accumulated depreciation				
Balance at the beginning of the year	41	22	26	89
Depreciation	63	28	43	134
Early termination of lease agreements	(34)	—	(1)	(35)
Balance at 31 December 2020	70	50	68	188
Carrying amount at 31 December 2020	292	29	144	465

The right-of-use assets in relation to the leased properties do not meet the definition of an investment property.

(b) Lease liabilities

Rand million	2021	2020
Balance at the beginning of the year	**514**	542
New leases capitalised during the year	**134**	186
Early termination of lease agreements	**(88)**	(65)
Lease payments made during the year	**(187)**	(212)
Finance costs	**48**	63
Balance at the end of the year	**421**	514
Current	**146**	179
Non-current	**275**	335
Balance at the end of the year	**421**	514

Amounts recognised in the statement of profit or loss:

Rand million	Notes	2021	2020
Depreciation on right-of-use asset		**147**	134
Interest expense on leases[1]	17	**48**	63
Lease expenses relating to low-value assets		**24**	26
Expenses relating to short-term leases		*****	*
Variable lease payments		**635**	878
Income from sub-leasing of right-of-use assets		**(44)**	(44)
Net effect		**810**	1,057

[1] Included in finance costs.
* The total amount is less than R1 million.

Refer to notes 29 and 33.3 for future lease commitments.

Amounts recognised in the statement of cash flows:

Total cash outflow for leases in 2021 was R187 million (2020: R212 million), including R48 million (2020: R63 million) for finance costs, (refer to note 17).

The group's leases consist mainly of leasing buildings and mining equipment. With the exception of leases of low-value underlying assets, each lease that meets the requirements of IFRS 16 *Leases* is reflected on the statement of financial position as a right-of-use asset and a lease liability. Lease payments for such leases are fixed. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and the related right-of-use asset.

The group classifies and depreciates its right-of-use assets in a consistent manner to its property, plant and equipment (see note 2).

4. Investments held by environmental trust

Rand million	2021	2020
Balance at the beginning of the year	**656**	652
Movement in investment in environmental trusts comprising:	**139**	4
Gain on return of investments	**139**	4
Balance at the end of the year	**795**	656

The trust's investment activities are managed by Old Mutual investment Group (South Africa) Proprietary Limited and Prudential Investment Managers (South Africa) Proprietary Limited. The trust aims to achieve its objectives by investing in unit trust instruments that hold a diversified portfolio of equity and debt securities of predominantly South African listed companies, as well as South African sovereign and corporate debt through various instruments. Each mine's portfolio is managed separately according to each individual mine's risk and life-of-mine profile.

The movement in the environmental trust includes fair value movements as well as dividend and interest income, where applicable. The movement has been recognised as net finance gains/losses in the statement of profit or loss (refer to note 16).

These investments may only be utilised for the purposes of settling decommissioning and rehabilitation obligations relating to the group's mining operations. The investment returns are reinvested by the trust. Refer to note 9 for the environmental rehabilitation and decommissioning provisions.

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for the year ended 31 December

5. Long-term prepayments and other receivables

Rand million	2021	2020
Prepayments	104	73
Other receivables[1]	62	71
Balance at the end of the year	**166**	144
Maturity profile of long-term prepayments and other receivables		
1 to 2 years	19	64
2 to 5 years	88	45
More than 5 years	5	—
	112	109

[1] This amount includes R54 million (2020: R35 million) for a long-term receivable measured at FVTPL which does not have a maturity date and is therefore not included in the maturity analysis.

6. Inventories

Rand million	2021	2020
Finished products	2,563	1,755
WIP	6,859	6,045
Plant spares and stores	1,708	1,799
Total inventories	**11,130**	9,599
Non-current portion of WIP inventories	4,349	3,741
Current portion of inventories	6,781	5,858
Total inventories	**11,130**	9,599

During the year, the group increased the provision for potentially non-recoverable WIP inventory, and slow-moving plant spares and stores, to R784 million (2020: R650 million) and R312 million (2020: R276 million), respectively. No inventory was written off during the year (2020: R762 million of WIP inventory). The total inventory write-down of R170 million (2020: R902 million) has been recognised in the statement of profit or loss (refer to note 13).

No inventories were encumbered during the year.

WIP inventory balances which are not expected to be processed within the next 12 months are presented as non-current.

The feasibility study for the UHDMS technology completed during 2021 indicates that certain material that was previously classified as waste, and therefore no value ascribed to it on the statement of financial position, can now be processed into saleable product. The group has assessed the accounting treatment for the material mined during the year and the impact thereof is not included in these consolidated financial statements as the value is not significant at this stage.

7. Trade and other receivables

Rand million	2021	2020
Trade receivables	**4,917**	6,968
Trade receivables at amortised cost	**221**	347
Trade receivables at FVTPL[1]	**4,696**	6,621
Provision for credit losses – trade receivables	**(210)**	(216)
Net trade receivables	**4,707**	6,752
Other receivables[2]	**2,545**	1,909
Provision for credit losses – other receivables	**(250)**	(101)
Net trade and other receivables	**7,002**	8,560
Prepayments	**99**	81
Prepaid shipping costs	**265**	115
Balance at the end of the year	**7,366**	8,756

[1] This amount includes variation margin accounts of R300 million (2020: R35 million).
[2] Other receivables mainly comprise a VAT receivable of R1,697 million (2020: R1,140 million), interest of R36 million (2020: R64 million) receivable from a related party and sundry receivables of R737 million (2020: R604 million).

Credit risk

Kumba is largely exposed to the credit risk relating to end-user customers within the steel manufacturing industry. As part of its approach to working capital management, Kumba uses debtor discounting arrangements. These arrangements are on a non-recourse basis, hence the related trade receivables are derecognised from the group's statement of financial position. Refer to note 33 for detailed disclosure regarding the group's approach to credit risk management.

Significant concentrations of credit risk

Of the total outstanding trade receivables balance of R4,917 million (2020: R6,968 million), R2,642 million (2020: R1,903 million) or 54% (2020: 27%) consists of individual end-user customers with an outstanding balance in excess of 5% of the total trade receivables balance at 31 December 2021.

More than 32% (2020: 38%) of the group's customers have been transacting with the group for over five years, and none of these customers' balances have been written off or are impaired at the end of the reporting period. In monitoring customers' credit risk, the group assesses its customers on an individual basis. The group considers each customer's credit characteristics, their geographical location, industry, trading history with the group and existence of previous financial difficulties.

The historical level of customer default is minimal and current observable data indicates that there is no material future default. As a result, the credit quality of trade receivables is considered to be high.

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7. Trade and other receivables continued

Rand million	2021	2020
Trade receivables credit risk exposure by geographical area[1]		
South Africa	**11**	27
Europe	**1,321**	2,927
Asia	**3,375**	3,798
	4,707	6,752
Trade receivables credit risk exposure by currency[1]		
Rand	**11**	27
US Dollar	**4,696**	6,725
	4,707	6,752
Ageing of trade receivables		
Not past due	**4,713**	6,780
Past due 31 to 60 days	**—**	—
Past due 61 to 90 days	**—**	—
Past due more than 90 days	**204**	188
	4,917	6,968
Expected credit loss rate (%) for trade receivables measured at amortised cost		
Not past due	**55**	18
Past due 31 to 60 days	**—**	—
Past due 61 to 90 days	**—**	—
Past due more than 90 days	**100**	100

[1] Net amount after deducting expected credit losses.

Trade receivables are non-interest-bearing and are generally on terms of 30 days. Refer to note 33.1 for the trade and other receivables classification.

The group's export trade receivables internal ratings range from secured to moderate risk, while the external ratings of BB- to A+ (2020: BB- to AA+), based on Standard and Poor (S&P) Global ratings and Fitch Ratings Inc. The domestic customers' internal ratings range from secured to moderate risk, and externally BB- to A+ (2020: BB- to AA+). A provision for credit losses of R210 million (2020: R216 million) was raised against trade receivables. The group uses a provision matrix to calculate expected credit losses for trade receivables which incorporates forward looking information. The group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days. Trade and other receivables that have been outstanding for a period longer than 30 days or where there is a dispute, were considered and provided accordingly.

An expected credit loss of R149 million (2020: R101 million) was raised during the year against other receivables. The increase in the expected credit loss is mainly due to an increase in the balance owed by one of the sundry debtors provided for. The group recently started operating with this debtor.

Set out below is the movements in the allowance for expected credit losses on trade and other receivables:

Rand million	2021	2020
Balance at the beginning of the year	**317**	156
Movement in expected credit losses raised during the year	**143**	161
Trade receivables	**(6)**	61
Other receivables	**149**	101
Reversal of expected credit loss on other receivables	**—**	(1)
Balance at the end of the year	**460**	317

8. Cash and cash equivalents and debt facilities

Cash and cash equivalents

Rand million	2021	2020
Balance at the end of the year	**17,925**	22,707

Included in cash and cash equivalents is an amount of R2,857 million (2020: R893 million liability) which is restricted as it is required to be held at trading exchanges to cover initial margins under derivative contracts.

Short-term cash deposits of R13,575 million (2020: R21,868 million), included in cash and cash equivalents, and debt facilities of R8,200 million (2020: R8,200 million) were placed with subsidiaries of the ultimate holding company during the year under review (refer to note 32). The group held deposits amounting to R357 million (31 December 2020: R277 million) which are subject to statutory restrictions and are therefore not available for general use by the group.

Rand million	2021	2020
Currency analysis of cash and cash equivalents		
Rand	**4,186**	14,082
US Dollar	**13,731**	8,615
Euro	**1**	4
Other	**7**	6
	17,925	22,707

Refer to note 33 for detailed disclosure regarding the group's approach to liquidity risk management.

Debt facilities

Rand million	Maturity date	Interest rate at 31 December	Facility 2021	Facility 2020
Unsecured loans				
Revolving syndicated facility at a variable interest rate of JIBAR plus a margin which varies based on the period of the borrowing.	2024	2021 Not applicable 2020 Not applicable	**8,000**	8,000
Call loan facility at floating call rates[1]	Open	2021 Not applicable 2020 Not applicable	**8,200**	8,200
Total			**16,200**	16,200

[1] No amount from this facility was drawn down in 2021 (2020: Rnil). This is a facility held with a related party (refer to note 32).

The group's debt facilities consist of a committed R8 billion (2020: R8 billion) revolving credit facility which matures in 2024. The group's debt facilities also include uncommitted facilities of R8.2 billion (2020: R8.2 billion). The committed and uncommitted facilities at 31 December 2021 and 31 December 2020 were undrawn.

Notes to the annual financial statements continued

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9. Provisions

Rand million	Employee benefits cash-settled share-based payments	Environ-mental rehabilitation	Decom-missioning	Other	Total
Non-current provisions	**55**	**2,219**	**321**	**—**	**2,595**
Current provisions	**—**	**196**	**—**	**25**	**221**
Total provisions	**55**	**2,415**	**321**	**25**	**2,816**
2021					
Balance at the beginning of the year	**49**	**2,334**	**341**	**—**	**2,724**
Unwinding of discount (refer to note 24)	**—**	**95**	**15**	**—**	**110**
Increase/(decrease) in provision charged to the statement of profit or loss	**9**	**(73)**	**(33)**	**25**	**(72)**
Capitalised to property, plant and equipment (refer to note 2)	**—**	**59**	**(2)**	**—**	**57**
Exchange differences on translation	**1**	**—**	**—**	**—**	**1**
Utilised during the year	**(4)**	**—**	**—**	**—**	**(4)**
Balance at 31 December 2021	**55**	**2,415**	**321**	**25**	**2,816**
Expected timing of future cash flows					
Within 1 year	**—**	**196**	**—**	**25**	**221**
2 to 5 years	**55**	**—**	**—**	**—**	**55**
More than 5 years	**—**	**2,219**	**321**	**—**	**2,540**
	55	**2,415**	**321**	**25**	**2,816**
Estimated undiscounted obligation	**55**	**4,451**	**770**	**25**	**5,301**
2020					
Non-current provisions	49	2,217	341	—	2,607
Current provisions	—	117	—	—	117
Total provisions	49	2,334	341	—	2,724
Balance at the beginning of the year	87	2,149	344	—	2,580
Unwinding of discount (refer to note 24)	—	82	14	—	96
(Decrease)/increase in provision charged to the statement of profit or loss	(43)	103	—	—	60
Capitalised to property, plant and equipment (refer to note 2)	—	—	(17)	—	(17)
Exchange differences on translation	12	—	—	—	12
Utilised during the year	(7)	—	—	—	(7)
Balance at 31 December 2020	49	2,334	341	—	2,724
Expected timing of future cash flows					
Within 1 year	—	117	—	—	117
2 to 5 years	49	—	—	—	49
More than 5 years	—	2,217	341	—	2,558
	49	2,334	341	—	2,724
Estimated undiscounted obligation	49	4,026	709	—	4,784

Cash-settled share-based payments

At 31 December 2021, the provision represented share awards of Anglo American plc shares made by the group to certain employees.

Environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are reviewed regularly and adjusted as appropriate for new circumstances.

Decommissioning

The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted.

Funding of environmental rehabilitation and decommissioning (refer to note 4)

The group funds the environmental rehabilitation and decommissioning obligations through a combination of the investment held by the Kumba Iron Ore Rehabilitation Trust and financial guarantees (refer to note 28). The carrying value of the investment held by the Kumba Iron Ore Rehabilitation Trust amounted to R795 million at 31 December 2021 (2020: R656 million).

Other

Other provisions relate to the section 189 restructuring.

Significant accounting estimates and assumptions

The measurement of the environmental rehabilitation and decommissioning provisions is a key area where management's judgement is required. Closure provisions are measured at the present value of the expected future cash flows required to perform the rehabilitation and decommissioning. This calculation requires the use of certain estimates and assumptions when determining the amount and timing of the future cash flows and the discount rate. Closure provisions are updated at each reporting date, for changes in the estimates of the amount or timing of future cash flows, inflationary changes in the expected cash flows, utilisation of prior year provisions and changes in the discount rate. The LOM plan on which accounting estimates are based only includes Proved and Probable Ore Reserves as disclosed in Kumba's annual Ore Reserves and Mineral Resources statement.

The resultant changes in the provisions are summarised as follows:

Rand million	Environmental rehabilitation	Decom-missioning	Total
Change in provision	(14)	(35)	(49)
Revised estimates of closure costs	97	1	98
Impact of increase in discount rate	35	10	45
Life-of-mine changes	(146)	(46)	(192)

The decrease in the environmental rehabilitation provision, excluding the unwinding of the discount, was mainly due to the increase in the life of mine of Sishen and Kolomela mines. The decrease was partially offset by the impact of the decrease in Kolomela mine's discount rate from 4.3% to 3.7% (in real terms).

The R35 million decrease in the decommissioning provision resulted in a decrease in property, plant and equipment of R2 million while the environmental rehabilitation provision decreased by R14 million, net of R59 million in respect of rehabilitation for assets under construction. The rehabilitation provision, net of the R59 million, was recognised in the statement of profit or loss, increasing profits attributable to the owners of Kumba by R40 million (2020: R57 million). The change in estimate had an insignificant effect on profit or earnings per share of R0.12 (2020: R0.18).

The carrying value of the closure provisions is sensitive to the estimates and assumptions used in its measurement. If the real discount rate of 4.3% (2020: 4.3%) for Sishen and 3.7% (2020: 4.3%) for Kolomela had been 1% higher than management's estimate, the group would have decreased the provision by R298 million (2020: R297 million). On the other hand, if the discount rate had been 1% lower than management's estimate, the group would have increased the current provision by R359 million (2020: R351 million).

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10. Deferred tax

Rand million	2021	2020
Deferred tax assets		
Reconciliation		
Balance at the beginning of the year	**1**	1
Balance at the end of the year	**1**	1
Expected timing:		
Deferred tax assets to be recovered in the foreseeable future	**1**	1
Total deferred tax assets	**1**	1
Deferred tax assets attributable to the following temporary differences:		
Estimated tax losses	**1**	1
Total deferred tax assets	**1**	1

There were no unused tax losses for which deferred tax asset was recognised at 31 December 2021 (2020: Rnil).

Rand million	2021	2020
Deferred tax liabilities		
Reconciliation:		
Balance at the beginning of the year	**9,586**	9,313
Prior year adjustment	**(21)**	(96)
Current year charge	**961**	369
Balance at the end of the year	**10,526**	9,586
Deferred tax liabilities attributable to the following temporary differences:		
Property, plant and equipment	**11,586**	10,558
Environmental rehabilitation provision	**(676)**	(653)
Decommissioning provision	**(84)**	(71)
Environmental rehabilitation trust asset	**223**	184
Leave pay accrual	**(110)**	(102)
Share-based payments	**197**	(245)
Provision[1]	**(508)**	—
Prepayments	**16**	—
Lease liabilities	**(118)**	(144)
Other[2]	**—**	59
Total deferred tax liabilities	**10,526**	9,586

[1] This line comprises of the following type of provisions: bad debts, restructuring, holiday bonus, annual bonus and diesel.
[2] The prior year amount comprised many immaterial amounts which were aggregated, and therefore, no individual disclosure was provided. All temporary differences for 2021 are separately disclosed to provide more useful information.

11. Trade and other payables and contract liabilities

Rand million	2021	2020
Trade payables	7,234	4,629
Other payables[1]	1,380	1,700
Leave pay accrual	397	364
Total trade and other payables (excluding contract liabilities)	**9,011**	6,693
Contract liabilities[2]	389	194
Total trade and other payables (including contract liabilities)	**9,400**	6,887
Currency analysis of trade and other payables and contract liabilities		
Rand	6,763	5,940
US Dollar	2,388	933
Other	249	14
	9,400	6,887

[1] Other payables include a short-term incentive accrual of R414 million (2020: R539 million), unclaimed dividends of R285 million (2020: R214 million), sundry payables of R597 million (2020: R947 million).
[2] The full amount of R194 million in relation to the contract liabilities at 31 December 2020 was recognised as revenue during 2021.

Trade payables are non-interest-bearing and are generally on terms of 60 days.

12. Revenue

Rand million	2021	Restated 2020
Sale of iron ore	93,570	66,741
Services rendered – shipping	6,969	5,580
Total revenue from contracts with customers	**100,539**	72,321
Revenue from other sources[1]	1,553	7,783
Total revenue as per statement of profit or loss	**102,092**	80,104
Geographical analysis of revenue from contracts with customers		
Domestic – South Africa	237	409
Export	100,302	71,912
China	38,249	39,427
Rest of Asia	28,007	19,286
Europe	33,718	11,866
Middle East and North Africa	132	1,157
Americas	196	176
Total revenue from contracts with customers	**100,539**	72,321

[1] Revenue from other sources comprises a net loss on financial instruments of R164 million (2020: R4,212 million (net gain)) and subsequent movements in provisionally priced sales of R1,717 million (net gain) (2020: R3,571 million (net gain), restated).

Revenue from contracts with customers comprises the sale of iron ore and shipping services rendered.

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12. Revenue continued

The presentation of certain iron ore provisional-pricing adjustments classified as revenue from contracts with customers in 2020 has been corrected by reclassifying R4,670 million from revenue from contracts with customers to revenue from other sources. The impact of the reclassification is shown below:

Rand million	Reported 2020	Impact increase/ (decrease)	Restated 2020
Sale of iron ore	71,411	(4,670)	66,741
Services rendered – shipping	5,580	–	5,580
Total revenue from contracts with customers	76,991	(4,670)	72,321
Revenue from other sources[1]	3,113	4,670	7,783
Total revenue as per statement of profit or loss	80,104	–	80,104
Geographical analysis of revenue from contracts with customers			
Domestic – South Africa	409	–	409
Export	76,582	(4,670)	71,912
China	49,411	(9,984)	39,427
Rest of Asia	14,096	5,190	19,286
Europe	12,507	(641)	11,866
Middle East and North Africa	385	772	1,157
Americas	183	(7)	176
Total revenue from contracts with customers	76,991	(4,670)	72,321

Disaggregation of revenue from contracts with customers:

	Products		Services	
Rand million	Sishen mine	Kolomela mine	Shipping operations	Total
2021				
Total segment revenue (Refer to note 1)	**67,612**	**27,511**	**6,969**	**102,092**
Revenue from other sources	**(1,079)**	**(474)**	**–**	**(1,553)**
Revenue from contracts with customers	**66,533**	**27,037**	**6,969**	**100,539**
2020 (Restated)				
Total segment revenue	51,971	22,553	5,580	80,104
Revenue from other sources	(5,303)	(2,480)	–	(7,783)
Revenue from contracts with customers	46,668	20,073	5,580	72,321

13. Operating expenses

Rand million	Notes	2021	Restated 2020
Cost by nature:			
Raw materials and consumables		**2,178**	2,046
Net movement in finished product and WIP inventories		**(1,701)**	(836)
Inventory write-down to net realisable value		**170**	902
Contractors' expenses		**4,305**	3,817
Deferred stripping costs capitalised		**(1,725)**	(2,502)
Staff costs		**5,620**	5,006
Salaries and wages		**4,741**	4,317
Equity-settled share-based payments		**212**	186
Cash-settled share-based payments		**12**	(43)
Termination benefits		**84**	—
Pension and medical aid contributions	15	**571**	546
Mineral royalty		**4,171**	3,493
Transportation and selling costs		**7,068**	6,580
Shipping services rendered		**6,464**	5,598
Sub-lease rentals received		**(44)**	(44)
Depreciation of property, plant and equipment		**5,050**	4,970
Mineral properties		**15**	19
Residential buildings		**146**	179
Buildings and infrastructure		**369**	371
Machinery, plant and equipment		**3,168**	3,122
Mineral exploration, site preparation and development		**1,205**	1,145
Right-of-use assets	3	**147**	134
Repairs and maintenance		**3,020**	2,479
Legal fees		**15**	24
Professional fees		**203**	171
Auditors' remuneration		**13**	12
Audit fees		**11**	11
Other services		**2**	1
Insurance cost		**170**	154
Technical services and project studies		**25**	128
Lease expenses	3	**659**	905
General expenses[1]		**2,700**	2,901
Petroleum products		**2,530**	1,985
Net (profit)/loss on disposal and scrapping of property, plant and equipment		**(10)**	19
Net finance losses	16	**215**	184
Energy costs		**521**	439
Own work capitalised[2]		**(129)**	(114)
Corporate costs		**953**	788
Total operating expenses		**42,441**	39,105

[1] This comprises mainly expenses for advertising, sponsorships, donations, IT expenses and other expenses.
[2] Relates to operating expenses incurred that are capitalised to projects where qualifying criteria are met.

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for the year ended 31 December

13. Operating expenses continued

The prior year's presentation of net movement in finished product and WIP inventories has been corrected by reclassifying R597 million to raw materials and consumables, and R1,279 million to general expenses. The impact of the reclassification is shown below:

Rand million	Reported 2020	Impact increase/ (decrease)	Restated 2020
Raw materials and consumables	1,449	597	2,046
Net movement in finished product and WIP inventories	1,040	(1,876)	(836)
General expenses	1,622	1,279	2,901

14. Other items included in operating profit

Rand million	2021	2020
Operating profit includes the following amounts		
Staff costs (excluding directors' and prescribed officers' remuneration)	**5,528**	4,916
Employee expenses	**5,220**	4,773
Net restructuring costs	**84**	–
Share-based payments expenses	**224**	143
Directors' emoluments (refer to note 34)	**36**	37
Executive directors	**28**	29
Emoluments received as directors of the Company	**17**	20
Bonuses and cash incentives	**11**	9
Non-executive directors – emoluments received as directors of the Company	**8**	8
Prescribed officers' remuneration (excluding executive directors – refer to note 34)	**56**	54
Operating sub-lease rentals received		
Property	**(44)**	(44)

15. Employee benefits: defined contribution funds

15.1 Retirement fund

At the end of 2021 and 2020, the following independent funds providing pension and other benefits were in existence:

- Kumba Iron Ore Selector Pension and Provident Fund
- Iscor Employees Umbrella Provident Fund

Members pay contributions of 7% and an employers' contribution of 9.5% is expensed as incurred. All funds are governed by the South African Pension Funds Act of 1956. Membership of each fund and employer contributions to each fund were as follows:

	2021		2020	
	Working members (number)	**Employer contributions (Rand million)**	Working members (number)	Employer contributions (Rand million)
Kumba Iron Ore Selector Pension and Provident Funds	**2,854**	**210**	2,879	196
Iscor Employees Umbrella Provident Fund	**2,907**	**135**	3,057	130
Total	**5,761**	**345**	5,936	326

Due to the nature of these funds, the accrued liabilities equate to the total assets under control of these funds.

15.2 Medical funds

The group contributes to medical aid schemes for the benefit of permanent employees and their dependents. The contributions charged against income amounted to R226 million (2020: R220 million). The group has no obligation to fund post-retirement medical aid contributions for current or retired employees.

16. Net finance losses

Rand million	2021	2020
Finance losses/(gains) recognised in operating profit		
Net foreign currency losses[1]	**375**	176
Net fair value (gains)/losses on financial assets measured at FVTPL[2]	**(160)**	8
Net finance losses	**215**	184

[1] This amount is made up of R552 million realised losses on foreign currency and a R177 million unrealised gains on foreign currency.
[2] This amount includes a R139 million fair value gain on investments held by the environmental trust (refer to note 4), a R20 million fair value gain on a long-term loan receivable measured at FVTPL and a R1 million fair value loss on an investment in associate.

17. Net finance income

Rand million	Note	2021	2020
Interest expense		**127**	99
Interest expense on leases[1]	3	**48**	63
Unwinding of discount on provisions	9	**110**	96
Total interest expense		**285**	258
Interest received on cash and cash equivalents		**(779)**	(624)
Net finance income		**(494)**	(366)

[1] Calculated using the effective interest method.

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18. Taxation

Rand million	2021	2020
Taxation expense		
Current taxation	**15,405**	11,091
Deferred taxation	**940**	272
	16,345	11,363
Charges to the statement of profit or loss		
South African normal taxation		
Current year	**14,326**	10,907
Prior year	**(58)**	(38)
Foreign taxation[1]		
Current year	**1,137**	222
Income taxation	**15,405**	11,091
Deferred taxation		
Current year	**961**	369
Prior year	**(21)**	(97)
	16,345	11,363
Reconciliation of taxation rates	**%**	%
Taxation as a percentage of profit before taxation	**27.3**	27.8
Taxation effect of:		
Disallowable expenditure[2]	**–**	(0.5)
Tax allowances[3]	**–**	0.1
Rate difference between South African and foreign subsidiaries[1]	**0.7**	0.6
Prior year overprovision	**–**	0.1
Equity-settled share-based payments	**–**	(0.1)
Standard taxation rate	**28.0**	28.0

[1] This relates to tax incurred in the United Kingdom where the tax is 19% and Singapore where the tax is 17%.
[2] These percentages comprise donations, interest penalties paid, consulting fees among other costs.
[3] This relates mostly to learnerships allowances.

19. Earnings and headline earnings per share

Attributable earnings per share are calculated by dividing the profit or loss attributable to shareholders of Kumba by the weighted average number of ordinary shares in issue for the year, excluding ordinary shares purchased by the group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the employee share incentive schemes. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the Company's shares based on the monetary value of the subscription rights attached to the outstanding share options.

Rand million	2021	2020
Profit attributable to equity holders of Kumba	**33,266**	22,779
Number of shares		
Weighted average number of ordinary shares in issue	**320,881,702**	320,690,801
Potential dilutive effect of outstanding share options[1]	**945,299**	1,069,885
Diluted weighted average number of ordinary shares in issue	**321,827,001**	321,760,686

[1] The dilution adjustment of 945,299 shares at 31 December 2021 (2020: 1,069,885) is a result of the share options granted under the various employee share incentive schemes. Refer to Annexure 3 for details of the group's share options.

Reconciliation of headline earnings

The calculation of HEPS is based on the basic earnings per share calculation adjusted for the following items:

	2021		2020	
Rand million	Gross adjustment	Net attributable	Gross adjustment	Net attributable
Profit attributable to equity holders of Kumba	**33,266**	**33,266**	22,779	22,779
Net (gain)/loss on disposal and scrapping of property, plant and equipment	**(10)**	**(6)**	19	11
	33,256	**33,260**	22,798	22,790
Taxation effect of adjustments	**3**	**—**	(5)	—
Non-controlling interest in adjustments	**1**	**—**	(3)	—
Headline earnings	**33,260**	**33,260**	22,790	22,790

Rand	2021	2020
Attributable earnings per share		
Basic	**103.67**	71.03
Diluted	**103.37**	70.79
Headline earnings per share		
Basic	**103.65**	71.07
Diluted	**103.35**	70.83

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20. Share capital and share premium (including treasury shares)

Number of shares	2021	2020
Authorised		
Ordinary shares of R0.01 each	**500,000,000**	500,000,000
Issued		
Ordinary shares of R0.01 each	**322,085,974**	322,085,974
Reconciliation of issued shares		
Number of shares at the beginning of the year	**322,085,974**	322,085,974
Number of shares at the end of the year	**322,085,974**	322,085,974
Reconciliation of shares held in reserve (unissued shares)		
Authorised shares at the beginning of the year not issued	**177,914,026**	177,914,026
Unissued shares	**177,914,026**	177,914,026

No new shares were issued during 2021 and 2020.

The unissued shares are under the control of the directors of Kumba until the next annual general meeting. All issued shares are fully paid up. There are no rights, preferences or restrictions attached to these shares.

Reconciliation of treasury shares held

Number of shares	2021	2020
Balance at the beginning of the year	**1,486,238**	1,411,944
Purchased during the year	**306,197**	464,292
Issued to employees under the Bonus Share Plan (BSP), Bonus and Retention Share Plan (BRP), the Long-Term Incentive Plan (LTIP), Performance Share Plan (PSP) and the SIOC Employee Benefit Scheme ('Karolo')	**(589,735)**	(389,998)
Number of treasury shares at the end of the year	**1,202,700**	1,486,238

All treasury shares are held in respect of employee share schemes and are available for utilisation for the purposes of these schemes, as disclosed in note 21. At 31 December 2021, all treasury shares were held as conditional share awards under the BSP, BRP, LTIP, PSP, as well as Karolo.

Total treasury shares purchased during the year were acquired by the SIOC Employee Benefit Trust (176,205 shares) and SIOC, a subsidiary of Kumba (129,992 shares). No treasury shares reverted to authorised but unissued during the year.

Rand million	2021	2020
Reconciliation of share capital and premium (net of treasury shares)		
Balance at the beginning of the year	**(118)**	(5)
Net movement in treasury shares under employee share incentive schemes	**(72)**	(113)
Purchase of treasury shares under employee share incentive schemes[1]	**(220)**	(201)
Shares issued to employees under employee share incentive schemes	**148**	88
Balance at the end of the year	**(190)**	(118)
Comprises:		
Share capital	**3**	3
Share premium	**364**	364
Treasury shares	**(557)**	(485)
Balance at the end of the year	**(190)**	(118)

[1] The average price paid for the purchase of the shares in 2021 was R597.70 per share (2020: R438.30 per share).

21. Equity-settled share-based payments reserve

Rand million	2021	2020
Balance at the beginning of the year	**285**	183
Equity-settled share-based payments expense	**212**	186
Employee share incentive schemes:		
Karolo	**106**	84
BSP	**31**	61
PSP	**38**	20
LTIP	**(4)**	5
BRP	**41**	16
Vesting of shares under employee share incentive schemes	**(174)**	(84)
Balance at the end of the year	**323**	285

Refer to Annexure 3: Equity-settled share-based payments reserve for a description, detailed movements and the valuation assumptions of each share scheme for the year under review.

22. Non-controlling interest

Rand million	2021	2020
Balance at the beginning of the year	**14,744**	11,294
Profit for the year	**10,391**	7,062
Exxaro Resources Limited	**9,037**	6,142
SIOC Community Development Trust	**1,354**	920
Dividends paid	**(11,490)**	(3,586)
Exxaro Resources Limited	**(9,993)**	(3,119)
SIOC Community Development Trust	**(1,497)**	(467)
Interest in movement in equity reserves	**196**	(26)
Foreign currency translation reserve	**196**	(26)
Balance at the end of the year	**13,841**	14,744

Details relating to non-controlling interests are disclosed in note 32.

23. Cash generated from operations

Rand million	2021	2020
Operating profit	**59,508**	40,838
Adjusted for:		
Depreciation of property, plant, equipment and right-of-use assets	**5,050**	4,970
Movement in provisions	**(16)**	52
Unrealised foreign currency revaluations and fair value adjustments	**(79)**	(77)
(Profit)/loss on disposal and scrapping of property, plant and equipment	**(10)**	19
Movement in non-current financial assets and prepayments	**2**	49
Equity-settled share-based payment expenses	**212**	186
Cash flows from operations	**64,667**	46,037
Working capital movements:		
(Increase)/decrease in inventories	**(1,538)**	163
Decrease/(increase) in trade and other receivables	**1,552**	(5,330)
Increase/(decrease) in trade and other payables	**289**	(531)
	64,970	40,339

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24. Net finance income received

Rand million	Note	2021	2020
Net finance income per the statement of profit or loss		**494**	366
Adjusted for:			
Notional interest on provisions	9	**110**	96
Movement in interest receivable		**(28)**	6
		576	468
Finance income received		**751**	630
Finance cost paid		**(175)**	(162)
		576	468

25. Taxation paid

Rand million	2021	2020
Taxation liabilities/(assets) at the beginning of the year	**616**	(363)
Income taxation per the statement of profit or loss (refer to note 18)	**15,405**	11,091
Translation of taxation for foreign operations	**50**	33
Taxation assets/(liabilities) at the end of the year	**531**	(616)
Taxation paid per the statement of cash flow	**16,602**	10,146
Comprising normal taxation:		
South Africa	**15,531**	9,844
Foreign operations	**1,071**	302
	16,602	10,146

26. Dividends paid

Rand million	2021	2020
Dividends paid to owners of Kumba	**36,718**	11,463
Dividends paid to non-controlling shareholders	**11,490**	3,586
Total dividends per the statement of changes in equity	**48,208**	15,049

27. Additions to property, plant and equipment

Rand million	2021	2020
Investment to expand operations	**2,566**	632
Investments to maintain operations	**3,717**	2,952
Deferred stripping costs capitalised	**1,725**	2,502
Total capital expenditure for the year	**8,008**	6,086
Increase in capital creditors[1]	**(1,755)**	(340)
Additions per the statement of cash flows	**6,253**	5,746

[1] This amount relates to capital expenditure incurred during the year which had not been paid as at the reporting date, net of any prior year capital expenditure paid during the year.

28. Guarantees and regulatory update

28.1 Guarantees

Rand million	2021	2020
Environmental trust closure liability guarantees obtained in favour of the Department of Mineral Resources and Energy (DMRE)	**4,079**	3,389
Guarantees obtained in favour of BNP Paribas for iron ore swaps trading activities	**319**	294
Operational guarantees obtained in favour to the DMRE	**41**	41
	4,439	3,724

Environmental obligations

Total guarantees provided in favour of the DMRE in respect of the group's undiscounted environmental closure liabilities at 31 December 2021 were R4.1 billion (2020: R3.4 billion). Guarantees in respect of the 2021 shortfall of R658 million were issued to the DMRE in May 2021. Undiscounted closure costs increased by R432 million during the year. This, partially offset by a R139 million increase in the trust fund investment, has resulted in a shortfall R293 million which will be addressed in due course.

28.2 Regulatory update

NEMA

The Minister of Environment, Fisheries and Forestry has determined that requirements for making financial provision to manage, rehabilitate and remediate environmental impacts from mining operations will be regulated under NEMA and no longer under the current MPRDA. This agreement has been formalised by amending the relevant environmental, water and mining legislation. The financial provisioning regulations were published on 20 November 2015, and further proposed material amendments were gazetted on 10 November 2017, 17 May 2019 and 30 August 2021. The deadline for compliance has been extended to June 2022. These amendments are expected to result in provision of additional funding for the undiscounted closure costs, which will be required during the first half of 2023 if the effective date remains unchanged.

29. Commitments

Lease commitments

This relates to future cash outflows that Kumba is exposed to that are not reflected in the measurement of the lease liabilities. This includes exposure from variable lease payments for certain equipment items and lease payments for low-value equipment items.

Rand million	2021	2020
The undiscounted future cash outflows not reflected in the measurement of the lease liabilities are as follows:		
Plant and equipment		
Within 1 year	**175**	223
Between 1 and 2 years	**57**	109
Between 2 to 5 years	**2**	2
Total lease commitments	**234**	334

Shipping commitments

Refer to note 32 for the group's shipping commitments to its fellow subsidiaries, Anglo American Marketing Limited and Anglo American Shipping Private Limited.

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30. Contingent liabilities

As previously reported, during 2018, SARS issued the group with additional income tax assessments, covering the 2012 to 2014 years of assessments, relating to a tax audit on the deductibility of certain expenditure incurred. The group objected to these assessments after consultation with external tax and legal advisers. SARS disallowed the objection.

On 21 February 2019, the group submitted an appeal against this outcome which was referred to ADR proceedings in an attempt to resolve the matter. The ADR proceedings were terminated on 20 February 2020, after which the group submitted a notice to SARS wherein the group confirmed that it wishes to proceed with the appeal to the Tax Court. On 18 August 2020, SARS filed its statement of grounds of assessment and opposing appeal, after which the group filed its statement of grounds of appeal on 21 October 2020. The pleadings in this matter are now closed and the trial date has been set for May 2022.

On 14 September 2020, SARS informed the group it intends to audit the 2015 to 2018 years of assessments (audit). As the 2015 year of assessment has prescribed, it will be excluded from the audit. The appeal and the audit concern the same subject matter. The result of the appeal is likely to be determinative of a substantial number, if not all, of the issues to be traversed in the audit. SARS has therefore agreed to hold the audit in abeyance pending the outcome of the appeal to the Tax Court.

Based on the external legal and tax advice obtained, the group believes that these matters have been appropriately treated in the results for the year ended 31 December 2021.

31. Events after the reporting period

31.1 Dividends

A final cash dividend of R30.50 per share was declared by the Board on 21 February 2022 from profits accrued during the financial year ended 31 December 2021. The total cash dividend for the year amounted to R103.20 per share. The estimated total cash flow of the final Kumba dividend, payable on 22 March 2022, is R9.8 billion.

31.2 Subsidiaries' debt facilities and guarantees obtained

Subsequent to 31 December 2021, the group's subsidiaries, Kumba International Trading Limited and Kumba Singapore Pte Limited, concluded short-term working capital financing arrangements with Anglo American Capital plc, to the value of US$690 million (R10,667 million) and US$610 million (R9,341 million), respectively. SIOC, being the parent company, has extended guarantees to Anglo American Capital plc for amounts drawn under these facilities, up to a maximum of US$474 million (R7,328 million) and US$346 million (R5,349 million), respectively.

31.3 Other

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

32. Related-party transactions

During the year, the Company and its subsidiaries, in the ordinary course of business, entered into various sales and purchases of goods and services with the group's related parties, as detailed below. The effect of these transactions is included in the results of the group.

Shareholders

The principal shareholders of the Company are detailed under shareholder analysis on pages 109 to 110.

Ultimate holding company

Anglo American plc is the group's ultimate holding company, through its 100% held subsidiary Anglo South Africa Proprietary Limited (ASA).

Subsidiaries of the ultimate holding company

The Company regularly transacts with its fellow subsidiaries. The most significant transactions are the shipping arrangements entered into with Anglo American Marketing Limited and Anglo American Shipping Private Limited, the clearing of funds being repatriated to South Africa that are placed on short-term deposit with Anglo American Capital Proprietary Limited and corporate office recharges for services performed.

Anglo American SA Finance Limited acts as an agent for the Company in respect of all foreign exchange transactions and performs a back-office treasury function for the group. Short-term cash deposits are placed with the entity, and funds are drawn down from this entity in the form of borrowings when required, resulting in both interest paid and interest received from Anglo American SA Finance Limited.

Holding company

ASA holds a 69.71% interest in the Company (2020: 69.71%).

Fellow subsidiaries

The Company regularly transacts with Anglo Corporate Services South Africa Proprietary Limited in respect of centralised services provided to Anglo American group companies.

Subsidiaries of the Company

Details of investments in and loans to/from subsidiaries are disclosed in Annexure 1.

Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in Annexure 2.

Entities with significant influence over Sishen Iron Ore Company Proprietary Limited (SIOC)

Exxaro is SIOC's 20.62% (2020: 20.62%) black economic empowerment shareholder. Details of dividends paid to Exxaro as well as its proportionate share of earnings for the year are detailed in note 22.

Special purpose entities

The group controls the following SPEs which are consolidated:

Entity	Nature of business
Kumba Iron Ore Rehabilitation Trust	Trust fund for mine closure
Kumba BSP Trust	Share incentive scheme administrator
SIOC Employee Benefit Trust	Share incentive scheme administrator

Directors, senior management and prescribed officers

Details relating to the Company's directors' and the group's Executive Committee's and prescribed officers' remuneration and shareholdings (including share options) are disclosed in note 34.

Notes to the annual financial statements continued

for the year ended 31 December

32. Related-party transactions continued

Related-party transactions

Rand million	2021	2020
Anglo American SA Finance Limited		
Short-term deposit held with Anglo American SA Finance Limited		
– Deposit	**3,717**	13,721
– Weighted average interest rate (%)	**3.76**	4.48
Interest earned during the year[1]	**736**	466
Interest receivable	**36**	64
Uncommitted facilities held with Anglo American SA Finance Limited	**8,200**	8,200
Anglo American Capital plc		
Short-term deposit held with Anglo American Capital plc		
– Deposit	**9,858**	7,258
Interest earned on facility during the year	**—**	20
Anglo Corporate Services South Africa Proprietary Limited		
Purchase of goods and services: Corporate operations (including shared services)	**517**	564
Purchase of goods and services: Research	**—**	135
Insurance receivable	**36**	64
Trade payables	**778**	445
Long-term receivables	**80**	38
Anglo American Marketing Limited		
Cash and cash equivalents held with Anglo American Marketing Limited	**2,857**	889
Trade payable owed to Anglo American Marketing Limited	**—**	102
Trade receivable owed by Anglo American Marketing Limited	**369**	427
Sale of goods to Anglo American Marketing Limited	**926**	1,206
Purchases of goods and services from Anglo American Marketing Limited	**134**	—
Shipping services provided by Anglo American Marketing Limited	**804**	1,253
Anglo American Shipping Private Limited		
Shipping services provided by Anglo American Shipping Pte. Limited	**5,856**	4,390
Trade payable owed to Anglo American Shipping Pte. Limited	**152**	227
Anglo South Africa Proprietary Limited		
Dividends paid to Anglo South Africa Proprietary Limited	**25,597**	7,991
Exxaro Resources Limited		
Dividends paid to Exxaro Resources Limited	**9,991**	3,119
Purchase of goods and services[2]	**10**	10

[1] Interest was earned at an average rate of 3.76% (2020: 4.48%) on cash deposits held with Anglo American SA Finance Limited.
[2] Goods purchased and services incurred from Exxaro Resources Limited consisted of ferrosilicon purchases and directors' fees.

Rand million	2021	2020
Shipping services commitments		
Future commitments under contracts for affreightment are as follows:		
Within 1 year	**2,065**	2,154
1 to 2 years	**1,360**	836
2 to 5 years	**613**	844
More than 5 years	**—**	—
	4,038	3,834

Anglo American Marketing Limited and Anglo American Shipping Private Limited enter into contracts of affreightment with shipping service providers and then enters into back-to-back arrangements with Kumba in respect of all the contracts on the same terms and conditions. The commitments disclosed above represent the group's future commitments to both entities.

32. Related-party transactions continued

Entities with significant non-controlling interests

SIOC is the only consolidated subsidiary with non-controlling interests. SIOC is incorporated in South Africa.

These non-controlling interests are as follows:
Exxaro Resources Proprietary Limited 20.62%
SIOC Community Development Trust 3.09%

The non-controlling interests in the consolidated financial statements are as follows:

Rand million	2021	2020
Profit for the year allocated to non-controlling interest	**10,391**	7,062
Accumulated non-controlling interests at the end of the year	**13,841**	14,744

Summarised financial information of SIOC

Rand million	2021	2020
Statement of profit or loss		
Revenue	**84,509**	69,935
Operating expenses (excluding expected credit losses)	**(34,174)**	(31,715)
Expected credit losses	**(143)**	(120)
Operating profit	**50,192**	38,100
Net financing income	**472**	338
Income from investments	**1,564**	1,176
Profit before taxation	**52,228**	39,614
Taxation	**(15,230)**	(11,064)
Profit for the year	**36,998**	28,550
Statement of financial position		
Non-current assets	**50,559**	46,664
Current assets	**19,195**	33,170
Total assets	**69,754**	79,834
Shareholders' equity	**49,003**	60,466
Non-current liabilities	**13,515**	12,757
Current liabilities	**7,236**	6,611
Total equity and liabilities	**69,754**	79,834
Statement of cash flows		
Cash flows from operating activities	**44,639**	29,413
Cash flows utilised in investing activities	**(6,288)**	(5,742)
Cash flows utilised in financing activities	**(48,347)**	(15,206)
Net (decrease)/increase in cash and cash equivalents	**(9,996)**	8,465

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33. Financial risk management

The group is exposed to credit risk, liquidity risk and market risk (currency, interest rate and commodity price risk) from the use of financial instruments. Overall responsibility for establishment and oversight of the risk management framework rests with the Board of directors. The Board, through its various sub-committees, is responsible for the development, monitoring and communication of the processes for managing risk across the group.

The group maintains an integrated, enterprise-wide, risk management programme. The group applies a logical, systematic and repetitive methodology to identify, analyse, assess, treat and monitor all risks, whether they are insurable or not. The risk management process is continuous, with well-defined steps, which support better decision-making by contributing a greater insight into risks and their impacts. Risks from all sources are identified and once they pass the materiality threshold, a formal process begins in which various factors and consequences are identified and the correlation with other risks and the current risk-mitigating strategy is reviewed. One of the challenges is to ensure that mitigating strategies are geared to deliver reliable and timely risk information to support better decision-making.

The risk assessment and reporting criteria are designed to provide the Executive Committee, via the Management Risk Committee and the Board, with a consistent, enterprise-wide perspective of the key risks. The reports which are submitted monthly to the Executive Committee and quarterly to the management and the Board, include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness, risk appetite and tolerance.

In conducting its review of the effectiveness of risk management, the Board considers the key findings from the ongoing monitoring and reporting processes within the combined assurance framework as well as from management. The Board also takes into account material changes and trends in the risk profile and considers whether the control system, including reporting, adequately supports the Board in achieving its risk management objectives.

SIOC, in conjunction with Anglo American SA Finance Limited, provides a treasury function to the group, coordinates access to domestic and international financial markets, and manages the financial risks relating to the group's operations.

The group utilises derivative instruments to manage certain market risk exposures, however, it chooses not to designate derivatives as hedges for accounting purposes. Such derivatives are classified as FVTPL and the fair value movements are recorded in the group's statement of profit or loss.

These derivatives allow the group to more closely align prices achieved from sales transactions with reference prices set by the group. The iron ore derivatives are entered into by the group's marketing team. Each derivative is linked to a sale made to a customer. Margin accounts are used to manage the risk related to the derivatives. These margin deposits serve as collateral for the open iron ore derivative position. The use of derivatives instruments is subject to limits and the positions are regularly monitored and reported to the Executive Committee.

The initial margins under derivative contracts which are required to be held at trading exchanges are included in cash and cash equivalents, refer to note 8.

33. Financial risk management continued

33.1 Measurement basis of financial instruments

Rand million	Notes	FVTPL[1]	Amortised cost	Total
2021				
Financial assets				
Investments held by the environmental trust	4	**795**	**—**	**795**
Trade receivables[2]	7	**4,696**	**11**	**4,707**
Long-term other receivables	5	**54**	**—**	**54**
Equity investments at FVTPL	5	**10**	**—**	**10**
Investment in associate	5	**50**	**—**	**50**
Other receivables (excluding VAT and prepayments)	5,7	**—**	**1,112**	**1,112**
Cash and cash equivalents	8	**—**	**17,925**	**17,925**
Financial liabilities				
Lease liabilities	3	**—**	**(421)**	**(421)**
Trade payables	11	**—**	**(7,234)**	**(7,234)**
Other payables	11	**—**	**(1,777)**	**(1,777)**
		5,605	**9,616**	**15,221**
2020				
Financial assets				
Investments held by the environmental trust	4	656	—	656
Trade receivables[2]	7	6,621	131	6,752
Long-term other receivables	5	35	—	35
Other receivables (excluding VAT and prepayments)	7	—	681	681
Cash and cash equivalents	8	—	22,707	22,707
Financial liabilities				
Lease liabilities	3	—	(514)	(514)
Trade payables	11	—	(4,822)	(4,822)
Other payables	11	—	(1,161)	(1,161)
		7,312	17,022	24,334

[1] These financial assets and financial liabilities are mandatorily measured at FVTPL.
[2] Trade receivables measured at amortised cost are after taking into account the provision for expected credit losses.

33.2 Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations. The group is exposed to counterparty risk from the investments made by the environmental trust, outstanding customer balances, guarantees in favour of the group, cash deposits with financial institutions and from the use of derivative instruments. The objective of managing credit risk is to avoid losses due to a default by a counterparty, or to minimise losses in the event of a default.

33.2.1 Credit risk policy: Investments, cash and cash equivalents and derivatives

The group's policy is to strictly limit exposure to individual counterparties by reference to published short-term and long-term credit ratings from recognised credit rating agencies. The group invests in high-quality investments with reputable service providers.

The group's exposure and the credit ratings of its counterparties are continuously monitored. The policy requires diversification of credit exposures among these financial institutions and defines acceptable daily settlement limits. Individual limits for counterparties whose rating fall within the credit rating guidelines of the group's policy are approved by the Chief Financial Officer and for counterparties with ratings outside of the policy guidelines, the limits must be approved by the Board.

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33. Financial risk management continued

33.2 Credit risk continued

33.2.2 Credit risk policy: Trade and other receivables

The group's credit policy is used for the management of counterparty risk associated with trade receivables originating from export and domestic sales contracts. This policy seeks to mitigate and minimise the risk of financial loss should customers become unable to meet their obligations to the group. It defines the requirement for sanctions and compliance reviews, the application of secure payment terms, primarily letters of credit from acceptable banks, as well as credit risk assessments and the establishment of credit limits prior to contracting. Credit limits are reviewed and approved at least annually and the group's exposure to its counterparties is regularly monitored at the appropriate level.

33.2.3 Credit risk exposure

The carrying amount of financial assets represents the group's maximum credit risk exposure.

Rand million	Notes	2021	2020
Trade receivables	7	**4,707**	6,752
Cash and cash equivalents	8	**17,925**	22,707
Investment made by the environmental trust	4	**795**	656
Other receivables (excluding VAT and prepayments)	7	**1,112**	681

Trade and other receivables

The group applies the simplified expected credit loss model for its trade receivable measured at amortised cost, as permitted by IFRS 9 *Financial Instruments*. The expected losses on trade and other receivables are estimated using a provision matrix by reference to past default experience and financial metrics, adjusted as appropriate for current observable data. Refer to note 7.

Cash and cash equivalents

The group held cash and cash equivalents of R17,925 million at 31 December 2021 (2020: R22,707 million). Cash and cash equivalents amounting to R13,575 million (2020: R21,868 million) were held with related parties who provide a treasury service to the group (refer to note 32). Where cash is held with group companies, group treasury companies manage the external investment of cash in accordance with the Group Treasury Policy investing in liquidity funds, bank deposits and government instruments. The funds are managed according to strict policy guidelines with pre-approved limits and counterparties, are readily available and can be accessed and withdrawn within a period of one to two days.

33.2.4 Collateral

The group does not hold any other material collateral in respect of its financial assets subject to credit risk.

33.3 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its financial obligations as they become due. The objectives of the group's liquidity risk management processes are to maintain adequate cash and credit facilities to meet all short-term obligations and ensure that the group can meet all known and forecast strategic commitments.

The Kumba treasury function must maintain cash and committed facilities to meet at least 125% of all known and forecast commitments for the next 18 months using debt instruments as deemed appropriate. As a general rule, it is the group's policy that no security be provided. However, exceptions are allowed on a case-by-case basis where it is required for a transaction to proceed. Facilities creating security or encumbrances over assets need the prior consent of the group's Chief Financial Officer. The group's credit facilities are detailed under note 8. Kumba was not in breach of any of its financial covenants during the year. The group's debt facilities consist of a committed R8 billion (2020: R8 billion) revolving credit facility which matures in 2024 and uncommitted facilities of R8.2 billion (2020: R8.2 billion). The committed and uncommitted facilities at 31 December 2021 and 31 December 2020 were undrawn.

Financial guarantees obtained in favour of third parties need to be approved by the group's Executive Committee up to R500 million, and by the Board if the value exceeds R500 million. The group issued financial guarantees in the current year amounting to R658 million (2020: R363 million) in respect of the shortfall for the environmental provisions. As at 31 December 2021, total guarantees obtained in favour of third parties amounted to R4.4 billion (2020: R3.7 billion) (refer to note 28).

At 31 December 2021, the expected cash flows from trade and other receivables maturing in the short term and the cash and cash equivalents were sufficient to meet the obligations associated with the group's financial liabilities as at that date.

33.3 Liquidity risk continued

Maturity profile of the group's financial liabilities

Rand million	Note	Within 1 year	1 to 2 years	3 or more years	Total
2021					
Financial liabilities					
At amortised cost:					
Lease liabilities[1]	3	**146**	**174**	**184**	**504**
Trade payables	11	**7,234**	**—**	**—**	**7,234**
Other payables	11	**1,777**	**—**	**—**	**1,777**
		9,157	**174**	**184**	**9,515**
2020					
Financial liabilities					
At amortised cost:					
Lease liabilities[1]	3	179	147	371	697
Trade payables	11	4,629	—	—	4,629
Other payables	11	2,064	—	—	2,064
		6,872	147	371	7,390

[1] This represents the contractual undiscounted cash flows.

33.4 Market risk

Market risk includes currency risk, interest rate risk and commodity price risk.

All derivative activities are for risk management purposes only and not to engage in speculative transactions. Hedging is conducted in strict compliance with the group's treasury risk policy. The group does not apply any form of hedge accounting.

33.4.1 Foreign exchange risk

The group's earnings are exposed to movements in exchange rates. Kumba's iron ore export prices are determined in US Dollar and the group negotiates iron ore prices in that currency with customers. Currency movements of the US Dollar against the Rand therefore could have a significant effect on the financial position and results of Kumba. Certain operating costs and capital expenditure are also denominated in foreign currencies. The group's functional currency for the preparation of financial accounts is the South African Rand. The group is therefore exposed to currency risk in respect of non-Rand cash flows for revenues, operating costs and capital expenditure. The group aligned both its export and import hedging policies with that of the Anglo American group. In line with the policy, hedging requires approval subject to the limit defined in the treasury policy. The hedging of foreign currency exposures on the group's behalf via suppliers and third parties is also prohibited.

It is the group's policy to be fully exposed to operating cost and revenue currency risk, i.e. not to hedge foreign currency operating costs and revenues. The objective of managing currency risk on capital expenditure is to broadly offset foreign currency capital expenditure with the future streams of foreign currency-denominated revenues, i.e. natural or economic hedging. Net US Dollar export proceeds are repatriated and sold in equal tranches on a weekly basis at the ruling spot price.

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33. Financial risk management continued

33.4 Market risk continued

33.4.1 Foreign exchange risk continued

The average Rand/US$ exchange rate for 2021 of US$1: R14.79 (2020: US$1: R16.47) was used to translate the statement of profit or loss and statement of cash flows, while the statement of financial position was translated at the closing rate at the last day of the reporting year using an exchange rate of US$1: R15.96 (2020: US$1: R14.69). The group's financial instrument exposure to currency risk, excluding derivatives, is summarised below:

Rand million	Notes	Rand	US Dollar	Euro	Other	Total
2021						
Financial assets						
Fair value through profit or loss						
Investments held by the environmental trust	4	**795**	**–**	**–**	**–**	**795**
Investment in associate	5	**50**	**–**	**–**	**–**	**50**
Equity investment at FVTPL	5	**10**	**–**	**–**	**–**	**10**
Trade receivables	7	**–**	**4,696**	**–**	**–**	**4,696**
Amortised cost						
Trade receivables	7	**11**	**–**	**–**	**–**	**11**
Other receivables	7	**1,696**	**599**	**–**	**–**	**2,295**
Cash and cash equivalents	8	**4,186**	**13,731**	**1**	**7**	**17,925**
Financial liabilities						
Amortised cost						
Trade and other payables	11	**(6,763)**	**(2,388)**	**–**	**(249)**	**(9,400)**
Net exposure		**(15)**	**16,638**	**1**	**(242)**	**16,382**
2020						
Financial assets						
Fair value through profit or loss						
Investments held by the environmental trust	4	656	–	–	–	656
Trade receivables	7	–	6,621	–	–	6,621
Amortised cost						
Trade receivables	7	27	104	–	–	131
Other receivables	5,7	1,200	608	–	–	1,808
Cash and cash equivalents	8	14,082	8,615	4	6	22,707
Financial liabilities						
Amortised cost						
Trade and other payables	11	(5,940)	(933)	–	(14)	(6,887)
Net exposure		10,025	15,015	4	(8)	25,036

Sensitivity analysis

A movement in exchange rates of 5%, with all other variables held constant, against the US Dollar would have increased/decreased profit or loss and equity by the amounts shown on page 75, based on the net US denominated financial instrument balances at 31 December 2021. The analysis has been performed on the same basis followed for 2020.

This analysis considers the impact of changes in foreign exchange rates on profit or loss and equity, excluding foreign exchange translation differences resulting from the translation of group entities that have a functional currency different from the presentation currency, into the group's presentation currency (and recognised in the FCTR).

33. Financial risk management continued

33.4 Market risk continued

33.4.1 Foreign exchange risk continued

Rand million	Impact on total comprehensive income and shareholders' equity	
	Increase	Decrease
2021		
US Dollar	**39**	**(36)**
2020		
US Dollar	30	(27)

33.4.2 Interest rate risk

The group's earnings are exposed to movements in floating interest rates on investments and floating rate debt when drawn. The Company is not exposed to fair value interest rate risk as the Company does not have any fixed interest-bearing financial instruments carried at fair value.

The group's policy is to borrow at floating rates of interest and manage interest rate risks on borrowings to minimise the after-tax cost of debt to the group. Fixed rate debt requires approval from the Board. Cash is primarily at floating rates of interest, subject to tax, legal, currency and liquidity constraints, with the primary purpose of preserving the capital value of cash and maintaining adequate liquidity levels.

Sensitivity analysis

Changes in market interest rates affect the interest income or expense of floating rate financial instruments. A change in the market interest rate of 50 basis points, with all other variables held constant, would have no impact on profit or loss and equity, based on the net floating rate financial instrument balances at 31 December 2021 and at 31 December 2020.

33.4.3 Commodity price risk

The Company's earnings are exposed to movements in the prices of iron ore that it produces and the commodities that it purchases, for example energy and material costs. The Company's policy is to sell its products at prevailing market prices and is generally not to hedge commodity price risk, though some hedging may be undertaken for strategic reasons. In such cases, the Company generally uses forward contracts and other derivative instruments to hedge the price risk.

Certain of the group's sales are provisionally priced, meaning that the selling price is determined normally 30 to 180 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. As at 31 December 2021, R3,288 million (2020: R6,621 million) of the trade receivables balance were subject to price movements.

Sensitivity analysis

A movement in the iron ore prices of 10%, with all other variables held constant, would have increased/decreased profit or loss and equity as shown below, based on the balance of trade receivables that are subject to provisional pricing at 31 December 2021.

Rand million	Impact on total comprehensive income and shareholders' equity	
	Increase	Decrease
2021		
Iron ore price	**481**	**(481)**
2020		
Iron ore price	662	(662)

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33. Financial risk management continued

33.5 Fair value estimation

The carrying value of financial instruments not carried at fair value, which include local trade receivables, cash and cash equivalents, trade payables and lease liabilities approximates fair value because of the short period to maturity of these instruments or as a result of market-related variable interest rates. The table below presents the group's assets and liabilities that are measured at fair value:

Rand million	Level 1[1]	Level 2[2]	Level 3[3]
2021			
Investments held by the environmental trust	**—**	**795**	**—**
Long-term prepayments and other receivables	**—**	**—**	**54**
Investment in associate	**—**	**—**	**50**
Equity investment at FVTPL	**—**	**—**	**10**
Trade receivables[4]	**—**	**4,696**	**—**
	—	**5,491**	**114**
2020			
Investments held by the environmental trust	—	656	—
Long-term prepayments and other receivables	—	—	35
Trade receivables[4]	—	6,621	—
	—	7,277	35

[1] Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities.
[2] Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from prices).
[3] Level 3 fair value measurements are derived from valuation techniques where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data. Where inputs can be observed from market data without undue cost or effort, the observed input is used. Otherwise, management determines a reasonable estimate for the input.
[4] This includes the provisionally priced receivables carried at fair value through profit or loss.

Fair value gains and losses recognised in operating profit are disclosed in note 16 Net finance gains/losses.

The iron ore derivatives and trade receivables are measured at fair value using market-related inputs. The measurement is therefore classified within level 2 of the fair value hierarchy. The inputs used in the model are the forward iron ore price on the inception date as well as the iron ore price on the date the fair value calculation is performed.

In the prior year, the investments held by the environmental trust were reclassified from level 1 to level 2 after management reassessed the view of the investments held by the environmental trust and concluded that level 2 better reflects the fair value hierarchy for this financial asset. There were no other transfers in the year ended 31 December 2020. There were no transfers in the year ended 31 December 2021.

All the resulting fair value estimates are included in level 1 or level 2 except for the long-term other receivable, investment in associate and equity investment at fair value through profit or loss which are level 3 financial assets. The movements in the fair value of the level 3 financial assets are shown as follows:

Rand million	2021	2020
Balance at the beginning of the period	**35**	48
Increase in financial assets during the year	**60**	—
Fair value gain/(loss) for the year	**19**	(13)
Balance at the end of the period	**114**	35

The long-term other receivables at 31 December 2021 relate to exploration projects. The fair value was determined using the market approach which applies available market information of sales transactions for similar recent projects. The significant unobservable inputs used in the valuation model related to the size and grade of the ore deposit determined by geological exploration results.

There were no changes made to any of the valuation techniques applied at 31 December 2021.

33. Financial risk management continued

33.6 Capital management

The group strives to maintain strong credit ratings. In managing its capital, the group's priority is to ensure a robust statement of financial position to provide resilience in times of volatility and enable the group to take advantage of opportunities when they arise, and return excess capital to shareholders unless there are compelling value-accretive opportunities for investment. The group maintains a healthy appetite for moderate gearing in the event of attractive merger and acquisition opportunities. The priority is not to use debt as a cushion for margin stress brought by market volatility. The group's capital expenditure is to be funded from cash generated from operations. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The group's cash and cash equivalents and debt at statement of financial position date were as follows:

Rand million	2021	2020
Cash and cash equivalents	17,925	22,707
Lease liabilities	(421)	(514)
Net	**17,504**	22,193
Total equity	**58,458**	62,190

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for the year ended 31 December

34. Directors' and prescribed officers' remuneration

2021 Single figure remuneration

R'000	Guaranteed pay and benefits			Additional payments		Short-term incentive	Long-term incentive			
	Base salary	Benefits	Total guaranteed pay 2021	Circumstantial payments	Dividend equivalent	Cash bonus (accrued) March 2022	Deferred bonus arrangement (DBA)	LTIP	Total Long-term incentive	Total emoluments 2021
Executive directors		[10]		[11]		[12]	[13]			
TM Mkhwanazi[1,2]	9,885	279	10,164	1,040	–	8,704	8,704	7,631	16,335	**36,243**
BA Mazarura[1]	5,699	278	5,977	–	–	2,471	2,471	2,787	5,258	**13,706**
Sub-total	**15,584**	**557**	**16,141**	**1,040**	**–**	**11,175**	**11,175**	**10,418**	**21,593**	**49,949**
Prescribed officers										
PJP Fourie[3]	708	103	811	480		328	–	935	935	**2,554**
V Kumar	3,835	541	4,376	17	–	1,804	1,804	5,802	7,606	**13,803**
SA Martin[4]	3,026	274	3,300	75	–	1,356	1,356	1,427	2,783	**7,514**
GM Mc Gavigan	3,368	291	3,659	121	–	1,505	1,505	1,584	3,089	**8,374**
C Malander[5]	1,914	294	2,208	174		900	900	–	900	**4,182**
P Ramchander[6]	2,834	409	3,243	–	–	1,333	1,333	3,751	5,084	**9,660**
NM Sibanyoni[7]	1,758	258	2,016	439	–	833	833	–	833	**4,121**
TS Smit[8]	8,249	1,548	9,797	2,650	1,211	6,127	6,127	11,795	17,922	**37,707**
SV Tyobeka[9]	1,969	162	2,131	149		873	873	1,581	2,454	**5,607**
F Patel	2,287	294	2,581	–	–	1,076	1,076	–	1,076	**4,733**
Sub-total	**29,948**	**4,174**	**34,122**	**4,105**	**1,211**	**16,135**	**15,807**	**26,875**	**42,682**	**98,255**
Total	**45,532**	**4,731**	**50,263**	**5,145**	**1,211**	**27,310**	**26,982**	**37,293**	**64,275**	**148,204**

Notes

1 100% of LTIP shares awarded in 2019, with a performance period ending 31 December 2021, vested based on the performance condition testing.
2 Transferred to Bulk Commodities Anglo American, as Chief Executive from 1 January 2022.
3 Retired on 31 March 2021. The cash bonus reflects only the *pro rata* bonus. Additional payments refer to leave encashment.
4 100% of the Anglo American LTIP shares were awarded in 2019, with a performance period ending 31 December 2021, while employed at Anglo American Coal SA. The shares vested based on the performance condition testing.
5 Acting Executive head of human resources from 1 August 2021 to 31 December 2021. Transferred to Anglo American Platinum Limited, effective 1 January 2022. Additional payments refer to leave encashment.
6 100% of the Anglo American LTIP shares awarded in 2019, with a performance period ending 31 December 2021, while employed at Anglo American Corporate SA, vested based on the performance condition testing.
7 Appointed 1 May 2021.
8 Employed by Anglo American Marketing Limited (Singapore branch), emoluments are paid in Singapore Dollars and Pound Sterling. Values declared are based on an average exchange rate conversion to ZAR as at 31 December 2021. The DBA and LTIP shares awarded are settled in Anglo American plc shares. Included in additional payments are cost of living-related allowances a dividend equivalent payment related to the Anglo American plc shares.
9 Transferred to Anglo American Platinum Limited effective 1 August 2021. Cash bonus reflects the *pro rata* portion earned while employed at Kumba. DBA award granted by Anglo American Platinum Limited. Additional payments refer to leave encashment.
10 Benefits include employer contributions to the retirement fund and medical aid.
11 Includes leave encashment, relocation and settlement and acting allowances paid.
12 Cash bonus is based on the 2021 performance and paid in March 2022.
13 Face value of DBA shares (awarded in terms of the bonus and retention share plan) awarded in March 2022 derived from the 2021 bonus value.

34. Directors' and prescribed officers' remuneration

2020 Single figure remuneration

R'000	Guaranteed pay and benefits			Additional payments		Short-term Incentive	Long-term incentive			
	Base salary	Benefits	Total Guaranteed pay	Circumstantial payments	Dividend equivalent	Cash bonus (accrued)	DBA	LTIP	Total Long-term incentive	Total emoluments 2020
Executive directors		8		9		10	11			
TM Mkhwanazi[1]	9,550	269	9,819	4,330	–	7,041	7,041	9,432	16,473	37,663
BA Mazarura[1]	5,233	268	5,502	–	–	1,906	1,906	3,062	4,968	12,376
Sub-total	14,783	537	15,321	4,330		8,947	8,947	12,494	21,441	50,039
Prescribed officers										
PJP Fourie	2,736	398	3,134	822	–	1,079	1,079	–	1,079	6,115
V Kumar[2]	2,711	383	3,094	–	–	1,235	1,235	–	1,235	5,564
SA Martin[3]	2,920	268	3,188	–	–	1,098	1,098	1,714	2,812	7,098
GM Mc Gavigan	3,254	280	3,534	1,044	–	1,218	1,218	–	1,218	7,014
Y Mfolo[4]	902	90	992	786	–	338	–	–	–	2,116
P Ramchander[5]	913	132	1,044	4	–	930	930	1,959	2,889	4,867
TS Smit[6]	7,587	1,416	9,003	7,039	1,532	3,727	3,727	4,675	8,402	29,703
SV Tyobeka	3,257	271	3,528	926	–	1,216	1,216	–	1,216	6,886
F Patel[7]	2,073	267	2,340	–	–	816	816	–	816	3,972
Sub-total	26,353	3,505	29,857	10,621	1,532	11,657	11,319	8,348	19,667	73,335
Total	41,136	4,042	45,178	14,951	1,532	20,604	20,266	20,842	41,108	123,374

Notes

1 LTIP shares were awarded in 2018, the performance period ended on 31 December 2020. 49.66% of the LTIP shares vested based on performance condition testing.

2 Internal transfer from Anglo American Coal SA (now Thungela Resources. Cash bonus includes a *pro rata* bonus received from Anglo American Coal SA).

3 LTIP shares were awarded when the officer was employed by Anglo American Coal SA, 100% of the Anglo American LTIP shares awarded in 2018, have vested based on performance condition testing.

4 Internal transfer to Anglo American Platinum Limited. Cash bonus reflects only the Kumba *pro rata* bonus earned.

5 Internal transfer from Anglo American Corporate Services South Africa, effective 1 September 2020. Cash bonus includes a *pro rata* bonus received from Anglo American Services South Africa. 100% of the Anglo American LTIP shares awarded in 2018 have vested based on performance condition testing.

6 Employed by Anglo American Marketing Limited (Singapore branch) and emoluments are paid in Singapore Dollars and Pound Sterling. The DBA and LTIP shares awarded were settled in Anglo American plc shares. Included in circumstantial payments are cost of living-related allowances. The dividend equivalent is related to the Anglo American plc shares.

7 Appointed 7 January 2020.

8 Benefits include the employer's contribution to the retirement fund and medical aid.

9 Includes long-service award, leave encashment and retention bonus payments.

10 Cash bonus is based on 2020 performance. The amount was finalised and paid in March 2021.

11 Face value of DBA shares awarded in March 2021 based on the value of the 2020 bonus provision.

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34. Directors' and prescribed officers' remuneration continued

2021 Single figure remuneration

R'000	Fees		Total emoluments
	Directors' fees	Committee fees	2021
Non-executive directors			
MS Bomela	**313**	**505**	**818**
S French	**313**	**339**	**652**
MSV Gantsho[1]	**703**	**—**	**703**
TP Goodlace[2]	**1,484**	**—**	**1,484**
MA Jenkins	**319**	**431**	**750**
NB Langa-Royds	**319**	**679**	**998**
SS Ntsaluba	**319**	**713**	**1,032**
BP Sonjica	**313**	**509**	**822**
MJ Tsele[3]	**215**	**151**	**366**
D Wanblad	**313**	**339**	**652**
Total	**4,611**	**3,666**	**8,277**

Notes
[1] Retired on 14 May 2021.
[2] Appointed as Chairperson on 23 June 2021. The Chairperson of the Board, and chairs the Nominations and Governance Committee, however, does not receive additional remuneration in respect of the committees he serves on.
[3] Appointed on 1 May 2021.

2020 Single figure remuneration

R'000	Fees		Total emoluments
	Directors' fees	Committee fees	2020
Non-executive directors			
MS Bomela	269	351	620
N Dlamini[1]	129	171	300
S French	269	332	601
MSV Gantsho[2]	1,578	—	1,578
TP Goodlace[3]	1,193	—	1,193
MA Jenkins	275	352	627
NB Langa-Royds	275	672	947
SS Ntsaluba	275	687	962
BP Sonjica	269	512	781
D Wanblad	269	332	601
Total	4,801	3,409	8,210

Notes
[1] Resigned on 6 July 2020.
[2] Former Chairman of the Board. He also chaired the Nominations and Governance Committee. However, he did not receive additional remuneration in respect of the committees on which he served.
[3] In 2020, TP Goodlace was a lead independent director, and chaired the Strategy and Investment Committee. However, he did not receive additional remuneration in respect of the committees on which he served.

34. Directors' and prescribed officers' remuneration continued

Interests of executive directors and the prescribed officers – unvested awards and cash flow

The interests of the executive directors and prescribed officers in shares of the Company granted in terms of the various long-term incentive schemes are shown in the following tables below:

			Number of shares					R'000		
Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Executive directors								[8]	[9]	[10]
TM Mkhwanazi										
Kumba share awards										
DBA	1 March 2017	1 March 2022	**2,082**	–	–	–	**2,082**	**237**	**950**	–
DBA	1 June 2017	1 March 2022	**2,585**	–	–	–	**2,585**	**295**	**1,179**	–
DBA	9 April 2018	1 March 2023	**18,863**	–	–	**12,575**	**6,288**	**8,882**	**2,869**	–
DBA	1 March 2019	1 March 2022	**24,536**	–	–	–	**24,536**	**2,797**	**11,195**	–
DBA[1]	1 March 2020	1 March 2023	**22,330**	–	–	–	**22,330**	**2,546**	**10,188**	–
DBA[1]	1 March 2021	1 March 2023	–	**10742**	–	–	**10,742**	**1,225**	**4,901**	–
LTIP[3,5,6]	1 June 2018	1 March 2023	**30,184**	–	**15,196**	**14,988**	–	**9,732**	–	–
LTIP[2,3]	31 May 2019	1 March 2022	**24,776**	–	–	–	**24,776**	–	**7,631**	–
LTIP[2,3]	11 August 2020	1 March 2023	**36,430**	–	–	–	**36,430**	–	**9,397**	–
LTIP[2,3]	1 March 2021	1 March 2024	–	**20,510**	–	–	**20,510**	–	**5,023**	–
Anglo American plc share awards			–	–	–	–	–	–	–	–
DBA[4]	1 March 2020	1 March 2023	**27,574**	–	–	–	**27,574**	**1,327**	**17,947**	–
Thungela Resources share awards			–	–	–	–	–	–	–	–
DBA[7]	4 June 2021	1 March 2023	**2,757**	–	–	–	**2,757**	–	**237**	–
Sub-total			**192,117**	**31,252**	**15,196**	**27,563**	**180,610**	**27,041**	**71,517**	–
BA Mazarura										
Kumba share awards										
DBA	9 April 2018	1 March 2021	**1,617**	–	–	**1,617**	–	**1,050**	–	–
DBA	1 March 2019	1 March 2022	**5,637**	–	–	–	**5,637**	**643**	**2,572**	–
DBA[1]	1 March 2020	1 March 2023	**6,977**	–	–	–	**6,977**	**795**	**3,183**	–
DBA[1]	1 March 2021	1 March 2023		**2,907**	–	–	**2,907**	**331**	**1,326**	–
LTIP[3,5,6]	1 June 2018	1 March 2021	**9,798**	–	**4,933**	**4,865**	–	**3,159**	–	–
LTIP[2,3]	31 May 2019	1 March 2022	**9,048**	–	–	–	**9,048**	–	**2,787**	–
LTIP[2,3]	11 August 2020	1 March 2023	**13,558**	–	–	–	**13,558**	–	**3,497**	–
LTIP[2,3]	1 March 2021	1 March 2024	–	**8,015**	–	–	**8,015**	–	**1,963**	–
Sub-total			**46,635**	**10,922**	**4,933**	**6,482**	**46,142**	**5,978**	**15,328**	–

Notes

1. DBA shares awarded in terms of the Bonus and Retention Share Plan
2. LTIP shares were awarded in terms of the Performance Share Plan
3. Post vesting of the awards, an additional two-year holding period, subject to clawback conditions, will apply. Do not qualify for any dividend equivalents during the performance period
4. Anglo American plc forfeitable shares were awarded related to his position as a member of the Anglo American General Management Committee
5. Shares forfeited due to performance conditions not met in full
6. Shares vested as a result of performance conditions being met. Shares are subject to an additional two-year holding period during which clawback conditions apply
7. As a result of the demerger of Anglo Thermal Coal and consequent listing of Thungela Resources, Thungela shares were awarded based on existing Anglo American shareholding and in line with the scheme rules
8. Includes dividends received in March 2021 and August 2021 as well as the face value of share vestings during 2021
9. Sum total of the estimated fair value of unvested DBA shares, 2019 LTIP award (actual vesting of 65.00%), 2020 and 2021 LTIP awards (estimated vesting of 60%). The value is based on a three-day volume-weighted average price (VWAP) on 31 December 2021 of R456.27 for Kumba, R650.87 for Anglo American and R1.00 for Thungela Resources shares.
10. Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period.

Notes to the annual financial statements continued

for the year ended 31 December

34. Directors' and prescribed officers' remuneration continued

Interests of executive directors and the prescribed officers – unvested awards and cash flow

			Number of shares					R'000		
Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Prescribed officers								12	13	14
PJP Fourie										
Kumba share awards										
DBA	9 April 2018	1 March 2021	3,246	–	–	3,246	–	2,108	–	–
DBA	1 March 2019	1 March 2022	3,303	–	–	3,303	–	2,318	–	–
DBA	1 March 2020	1 March 2023	3,463	–	–	3,463	–	2,430	–	–
DBA[1]	1 March 2021	1 March 2023	–	1,646	–	1,646	–	1,155	–	–
FSP[1]	9 April 2018	1 March 2021	2,773	–	–	2773	–	1,801	–	–
LTIP[2,8]	31 May 2019	1 March 2022	4,552	–	1,517	–	3,035	–	1,402	554
LTIP[2,8]	11 August 2020	1 March 2023	6,140	–	4,612	–	1,528	–	394	122
LTIP[2,8]	1 March 2021	1 March 2023	–	3,457	3,362	–	95	–	25	6
Sub-total			23,477	5,103	9,491	14,431	4,658	9,812	1,821	682
VJ Kumar										
Kumba share awards										
DBA[1]	1 March 2021	1 March 2023	–	1,884	–	–	1,884	215	860	–
LTIP[2]	1 March 2021	1 March 2024	–	4,681	–	–	4,681	–	1,147	320
Anglo American plc share awards[4]			–	–	–	–	–	–	–	–
DBA	1 March 2019	1 March 2022	2,431	–	–	–	2,431	117	1,582	–
DBA	1 March 2020	1 March 2023	3,763	–	–	–	3,763	181	2,449	–
DBA	6 May 2020	1 March 2023	944	–	–	–	944	45	614	–
LTIP	1 March 2019	1 March 2022	9,900	–	–	–	9,900	–	5,799	692
LTIP	1 March 2020	1 March 2023	11,000	–	–	–	11,000	–	4,048	402
Thungela Resources share awards[11]			–	–	–	–		–	–	–
DBA	1 March 2019	1 March 2022	243	–	–	–	243	–	21	–
DBA	1 March 2020	1 March 2023	470	–	–	–	470	–	40	–
LTIP	1 March 2019	1 March 2022	42	–	–	–	42	–	3	–
LTIP	1 March 2020	1 March 2023	46	–	–	–	46	–	2	–
Sub-total			28,839	6,565	–	–	35,404	558	16,565	1,414
CO Malander										
Kumba share awards										
DBA	1 March 2018	1 March 2021	2,304	–	–	2,304	–	1,496	–	–
DBA	1 March 2019	1 March 2022	2,075	–	–	–	2,075	237	947	–
DBA[1]	1 March 2020	1 March 2023	2,175	–	–	–	2,175	248	992	–
DBA[1]	1 March 2021	1 March 2023	–	1,034	–	–	1,034	118	472	–
Sub-total			6,554	1,034	–	2,304	5,284	2,099	2,411	–

Interests of executive directors and the prescribed officers – unvested awards and cash flow

			Number of shares					R'000		
Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Prescribed officers								[12]	[13]	[14]
SA Martin										
Kumba share awards										
DBA	1 March 2019	1 March 2022	**2,066**	**–**	**–**	**–**	**2,066**	**236**	**943**	**–**
DBA[1]	1 March 2020	1 March 2023	**3,524**	**–**	**–**	**–**	**3,524**	**402**	**1,608**	**–**
DBA[1]	1 March 2021	1 March 2023		**1,675**	**–**	**–**	**1,675**	**191**	**764**	**–**
LTIP[2]	31 May 2019	1 March 2022	**4,632**	**–**	**–**	**–**	**4,632**	**–**	**1,427**	**564**
LTIP[2]	11 August 2020	1 March 2023	**6,248**	**–**	**–**	**–**	**6,248**	**–**	**1,612**	**501**
LTIP[2]	1 March 2021	1 March 2024		**3,518**	**–**	**–**	**3,518**	**–**	**862**	**241**
Anglo American plc share award[4]			**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
DBA	1 March 2018	1 March 2021	**1,665**	**–**	**–**	**1,665**	**–**	**1,014**	**–**	**–**
LTIP	1 March 2018	1 March 2021	**3,500**	**–**	**–**	**3,500**	**–**	**2,132**	**–**	**–**
Sub-total			**21,635**	**5,193**	**–**	**5,165**	**21,663**	**3,975**	**7,216**	**1,306**
GM Mc Gavigan										
Kumba share awards										
DBA	9 April 2018	1 March 2021	**5,128**	**–**	**–**	**5,128**	**–**	**3,330**	**–**	**–**
DBA	1 March 2019	1 March 2022	**4,018**	**–**	**–**	**–**	**4,018**	**458**	**1,833**	**–**
DBA[1]	1 March 2020	1 March 2023	**3,911**	**–**	**–**	**–**	**3,911**	**446**	**1,784**	**–**
DBA[1]	1 March 2021	1 March 2023	**–**	**1,859**	**–**	**–**	**1,859**	**212**	**848**	**–**
FSP	9 April 2018	1 March 2021	**3,131**	**–**	**–**	**3,131**	**–**	**2,033**	**–**	**–**
LTIP[2]	31 May 2019	1 March 2022	**5,142**	**–**	**–**	**–**	**5,142**	**–**	**1,584**	**626**
LTIP[2]	11 August 2020	1 March 2023	**6,934**	**–**	**–**	**–**	**6,934**	**–**	**1,789**	**556**
LTIP[2]	1 March 2021	24 March 2021	**–**	**3,904**	**–**	**–**	**3,904**	**–**	**1,069**	**267**
Sub-total			**28,264**	**5,763**	**–**	**8,259**	**25,768**	**6,479**	**8,907**	**1,449**
P Ramchander										
Kumba share awards										
DBA[1]	1 March 2021	1 March 2023	**–**	**1,418**	**–**	**–**	**1,418**	**162**	**647**	**–**
LTIP[2]	1 March 2021	1 March 2024	**–**	**3,459**	**–**	**–**	**3,459**	**–**	**847**	**237**
Anglo American plc share awards[5]			**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
DBA	1 March 2018	1 March 2021	**3,980**	**–**	**–**	**3,980**	**–**	**2,424**	**–**	**–**
DBA	1 March 2019	1 March 2022	**2,547**	**–**	**–**	**–**	**2,547**	**123**	**1,658**	**–**
DBA	1 March 2020	1 March 2023	**2,900**	**–**	**–**	**–**	**2,900**	**140**	**1,888**	**–**
LTIP	1 March 2018	1 March 2021	**4,000**	**–**	**–**	**4,000**	**–**	**2,436**	**–**	**–**
LTIP	1 March 2019	1 March 2022	**6,400**	**–**	**–**	**–**	**6,400**	**–**	**3,749**	**447**
LTIP	1 March 2020	1 March 2023	**7,200**	**–**	**–**	**–**	**7,200**	**–**	**2,649**	**263**
Thungela Resources share awards[11]			**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
DBA	1 March 2019	1 March 2022	**254**	**–**	**–**	**–**	**254**	**–**	**22**	**–**
DBA	1 March 2020	1 March 2023	**290**	**–**	**–**	**–**	**290**	**–**	**25**	**–**
LTIP	1 March 2019	1 March 2022	**27**	**–**	**–**	**–**	**27**	**–**	**2**	**–**
LTIP	1 March 2020	1 March 2023	**30**	**–**	**–**	**–**	**30**	**–**	**1**	**–**
Sub-total			**27,628**	**4,877**	**–**	**7,980**	**24,525**	**5,285**	**11,488**	**947**

Notes to the annual financial statements continued

for the year ended 31 December

34. Directors' and prescribed officers' remuneration continued

Interests of executive directors and the prescribed officers – unvested awards and cash flow continued

			Number of shares					R'000		
Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2021	Granted during 2021	Forfeited during 2021	Vesting during 2021	Closing balance on 31 December 2021	Value of receipts	Estimated fair value on 31 December 2021	Estimated fair value of cumulative dividend equivalents at 31 December 2021
Prescribed officers								12	13	14
TS Smit										
Anglo American share awards[6]										
DBA	9 March 2018	3 March 2021	**12,829**	**–**	**–**	**12,829**	**–**	**7,894**	**–**	**–**
DBA	8 March 2019	8 March 2022	**15,427**	**–**	**–**	**–**	**15,427**	**736**	**10,009**	**–**
DBA	9 March 2020	9 March 2023	**13,354**	**–**	**–**	**–**	**13,354**	**637**	**8,664**	**–**
DBA	12 March 2021	12 March 2023	**–**	**6,171**	**–**	**–**	**6,171**	**294**	**4,004**	**–**
DBA	20 May 2021	12 March 2023	**–**	**872**	**–**	**–**	**872**	**42**	**566**	**–**
DBA[10]	16 June 2021	8 March 2022	**–**	**149**	**–**	**–**	**149**	**4**	**97**	**–**
LTIP	9 March 2018	3 March 2021	**11,500**	**–**	**–**	**11,500**	**–**	**7,076**	**–**	**–**
LTIP	26 March 2019	8 March 2022	**20,200**	**–**	**–**	**–**	**20,200**	**–**	**11,795**	**1,283**
LTIP	6 May 2020	9 March 2023	**22,600**	**–**	**–**	**–**	**22,600**	**–**	**8,277**	**710**
LTIP	12 March 2021	12 March 2024	**–**	**14,000**	**–**	**–**	**14,000**	**–**	**4,868**	**401**
LTIP[10]	16 June 2021	8 March 2022	**–**	**241**	**–**	**–**	**241**	**–**	**94**	**4**
Sub-total			**95,910**	**21,433**	**–**	**24,329**	**93,014**	**16,683**	**48,374**	**2,398**
SV Tyobeka										
Kumba share awards										
DBA	9 April 2018	1 March 2021	**4,850**	**–**	**–**	**4,850**	**–**	**3,149**	**–**	**–**
DBA	1 March 2019	1 March 2022	**4,011**	**–**	**–**	**–**	**4,011**	**457**	**1,830**	**–**
DBA[1]	1 March 2020	1 March 2023	**3,905**	**–**	**–**	**–**	**3,905**	**445**	**1,782**	**–**
DBA[1]	1 March 2021	1 March 2023	**–**	**1,856**	**–**	**–**	**1,856**	**212**	**847**	**–**
FSP	9 April 2018	1 March 2021	**3,126**	**–**	**–**	**3,126**	**–**	**2,030**	**–**	**–**
LTIP[2]	31 May 2019	1 March 2022	**5,134**	**–**	**–**	**–**	**5,134**	**–**	**1,581**	**625**
LTIP[2]	11 August 2020	1 March 2023	**6,923**	**–**	**–**	**–**	**6,923**	**–**	**1,786**	**555**
LTIP[2]	1 March 2021	1 March 2024	**–**	**3,898**	**–**	**–**	**3,898**	**–**	**955**	**267**
Sub-total			**27,949**	**5,754**	**–**	**7,976**	**25,727**	**6,293**	**8,781**	**1,447**
F Patel										
Kumba share awards										
DBA[1]	1 March 2021	1 March 2023	**–**	**1,245**	**–**	**–**	**1,245**	**142**	**568**	**–**
Sub-total			**–**	**1,245**	**–**	**–**	**1,245**	**142**	**568**	**–**
Total			**499,008**	**99,141**	**29,620**	**104,489**	**464,040**	**84,341**	**192,976**	**9,642**

1 DBA shares were awarded in terms of the Bonus and Retention Share Plan.
2 LTIP shares awarded in terms of the Performance Share Plan.
3 Post vesting of the awards, an additional two-year holding period, subject to clawback conditions, will apply. Do not qualify for any dividend equivalents during the performance period.
4 Anglo American shares previously awarded when employed by Anglo American Coal SA (now Thungela Resources).
5 Anglo American shares previously awarded when employed by Anglo American Corporate SA.
6 Anglo American shares traded on the London Stock Exchange (LSE). Value is converted to ZAR at the applicable exchange rate to the declared event.
7 Shares were forfeited due to performance conditions not met in full.
8 *Pro rata* shares forfeited as a result of retirement on 31 March 2021.
9 Shares vested as a result of performance conditions being met. Shares are subject to an additional two-year holding period during which clawback conditions apply
10 As a result of the demerger of Anglo Thermal Coal and consequent listing of Thungela Resources, additional Anglo American (LSE listed) shares were awarded based on existing Anglo American shareholding and in line with the scheme rules.
11 As a result of the demerger of Anglo Thermal Coal and consequent listing of Thungela Resources, Thungela shares were awarded based on existing Anglo American shareholding and in line with the scheme rules.
12 Includes dividend payments received in March 2021 and August 2021 as well as face value of share vesting during 2021.
13 Sum total of the estimated fair value of unvested DBA shares, 2019 LTIP award (actual vesting of 65.00%), 2020 and 2021 LTIP awards (estimated vesting of 60%). The value is based on a three-day VWAP on 31 December 2021 of R456.27 for Kumba, R650.87 for Anglo American and R1.00 for Thungela Resources shares.
14 Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period.

34. Directors' and prescribed officers' remuneration continued

Interests of executive directors and the prescribed officers – unvested awards and cash flow

The interests of the executive directors and of prescribed officers in shares of the Company granted in terms of the various long-term incentive schemes are shown in the following tables below:

				Number of shares						
2020	Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2020	Granted during 2020	Vesting during 2020	Closing balance on 31 December 2020	Value of receipts R'000	Estimated fair value on 31 December 2020 R'000	Estimated fair value of cumulative dividend equivalents at 31 December 2020 R'000
Executive directors								[5]	[6]	[7]
TM Mkhwanazi	Kumba share awards									
	DBA	1 March 2017	1 March 2020	5,205	–	5,205	–	1,474	–	–
	DBA	1 March 2017	1 March 2022	2,082	–	–	2,082	74	1,310	–
	DBA	1 June 2017	1 March 2020	5,171	–	5,171	–	1,465	–	–
	DBA	1 June 2017	1 March 2022	2,585	–	–	2,585	92	1,627	–
	DBA	9 April 2018	1 March 2012	12,575	–	–	12,575	448	7,914	–
	DBA	9 April 2018	1 March 2023	6,288	–	–	6,288	224	3,957	–
	DBA	1 March 2019	1 March 2022	16,357	–	–	16,357	582	10,294	–
	DBA	1 March 2019	1 March 2025	8,179	–	–	8,179	291	5,147	–
	DBA[1]	1 March 2020	1 March 2023	–	14,887	–	14,887	530	9,369	–
	DBA[1]	1 March 2020	1 March 2025	–	7,443	–	7,443	265	4,684	–
	LTIP	1 June 2017	1 March 2020	43,748	–	43,748	–	12,391	–	–
	LTIP	1 June 2018	1 March 2021	30,184	–	–	30,184	–	9,432	–
	PSP[2,3]	31 May 2019	1 March 2022	24,776	–	–	24,776	–	8,815	–
	PSP[2,3]	11 August 2020	1 March 2023	–	36,430	–	36,430	–	12,313	–
	Total Kumba share awards			157,150	58,760	54,124	161,786	17,836	74,862	
	Anglo American plc share awards									
	DBA[4]	1 March 2020	1 March 2023	–	27,574	–	27,574	321	13,503	
	Total Anglo American plc share awards			–	27,574	–	27,574	321	13,503	–
Sub-total				157,150	86,334	54,124	189,360	18,157	88,365	–
BA Mazarura	Kumba share awards									
	DBA	9 April 2018	1 March 2021	1,617	–	–	1,617	58	1,018	–
	DBA	1 March 2019	1 March 2022	5,637	–	–	5,637	201	3,548	–
	DBA[1]	1 March 2020	1 March 2023	–	6,977	–	6,977	248	4,391	–
	LTIP	1 September 2017	1 March 2020	15,496	–	15,496	–	4,389	–	–
	LTIP	1 June 2018	1 March 2021	9,798	–	–	9,798	–	3,062	–
	PSP[2,3]	31 May 2019	1 March 2022	9,048	–	–	9,048	–	3,219	–
	PSP[2,3]	11 August 2020	1 March 2023	–	13,558	–	13,558	–	4,583	–
Sub-total				41,596	20,535	15,496	46,635	4,896	19,821	–

1 DBA shares were awarded in terms of the BSP and RSP.
2 LTIP shares were awarded in terms of the PSP.
3 Post vesting of the awards, an additional two-year holding period, subject to clawback conditions will apply. The awards do not qualify for any dividend equivalent during the performance period.
4 Anglo American plc forfeitable shares were awarded related to his position as a member of the Anglo American General Management Committee.
5 Includes dividend payments received in March 2020 and August 2020, as well as face value of share vesting during 2020.
6 Sum total of the estimated fair value of unvested DBA and FSP shares, 2018 LTIP award (actual vesting of 49.66%), 2019 and 2020 LTIP awards (estimated vesting of 60%). The value is based on a three-day VWAP on 31 December 2020 of R629.33 for Kumba and R489.71 for Anglo American.
7 Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period.

Notes to the annual financial statements continued

for the year ended 31 December

34. Directors' and prescribed officers' remuneration continued

Interests of executive directors and the prescribed officers – unvested awards and cash flow continued

2020	Scheme		Award date	Earliest date of vesting	Number of shares: Opening balance on 1 January 2020	Number of shares: Granted during 2020	Number of shares: Vesting during 2020	Number of shares: Closing balance on 31 December 2020	Value of receipts R'000	Estimated fair value on 31 December 2020 R'000	Estimated fair value of cumulative dividend equivalents at 31 December 2020 R'000
Prescribed officers									[6]	[7]	[8]
PJP Fourie	Kumba share awards										
	DBA		9 April 2018	1 March 2021	3,246	–	–	3,246	116	2,043	–
	DBA		1 March 2019	1 March 2022	3,303	–	–	3,303	118	2,079	–
	DBA[1]		1 March 2020	1 March 2023	–	3,463	–	3,463	123	2,179	–
	FSP		1 May 2017	1 May 2020	5,281	–	5,281	–	1,966	–	–
	FSP		9 April 2018	1 March 2021	2,773	–	–	2,773	99	1,745	–
	PSP[2]		31 May 2019	1 March 2022	4,552	–	–	4,552	–	1,620	181
	PSP[2]		11 August 2020	1 March 2023		6,140	–	6,140	–	2,075	72
Sub-total					19,155	9,603	5,281	23,477	2,422	11,741	253
VJ Kumar[3]	Anglo American plc share awards										
	DBA		1 March 2019	1 March 2022	2,431	–	–	2,431	28	1,190	–
	DBA		1 March 2020	1 March 2023	–	3,763	–	3,763	44	1,843	–
	LTIP		1 March 2019	1 March 2022	9,900	–	–	9,900	–	2,741	163
	PSP		1 March 2020	1 March 2023	–	11,000	–	11,000	–	2,893	77
Sub-total					12,331	14,763	–	27,094	72	8,667	240
SA Martin[3]	Kumba share awards										
	DBA		1 March 2019	1 March 2022	2,066	–	–	2,066	74	1,300	–
	DBA[1]		1 March 2020	1 March 2023	–	3,524	–	3,524	125	2,218	–
	PSP[2]		31 May 2019	1 March 2022	4,632	–	–	4,632	–	1,648	184
	PSP[2]		11 August 2020	1 March 2023	–	6,248	–	6,248	–	2,112	73
	Anglo American plc share awards										
	DBA		1 March 2018	1 March 2021	1,665	–		1,665	19	815	–
	LTIP		1 March 2018	1 March 2021	3,500	–		3,500	41	1,714	–
Sub-total					11,863	9,772	–	21,635	259	9,807	257
GM Mc Gavigan	Kumba share awards										
	DBA		1 March 2017	1 March 2020	3,712	–	3,712	–	1,051	–	–
	DBA		9 April 2018	1 March 2021	5,128	–	–	5,128	183	3,227	–
	DBA		1 March 2019	1 March 2022	4,018	–	–	4,018	143	2,529	–
	DBA[1]		1 March 2020	1 March 2023	–	3,911	–	3,911	139	2,461	–
	FSP		1 March 2017	1 March 2020	5,091	–	5,091	–	1,442	–	–
	FSP		9 April 2018	1 March 2021	3,131	–	–	3,131	111	1,970	–
	PSP[2]		31 May 2019	1 March 2022	5,142	–	–	5,142	–	1,830	205
	PSP[2]		11 August 2020	1 March 2023	–	6,934	–	6,934	–	2,344	82
Sub-total					26,222	10,845	8,803	28,264	3,069	14,361	287
Y Mfolo	Kumba share awards										
	DBA		1 March 2017	1 March 2020	5,352	–	5,352	–	1,516	–	–
	DBA		9 April 2018	1 March 2021	3,518	–	–	3,518	125	2,214	–
	DBA		1 March 2019	1 March 2022	3,135	–	–	3,135	112	1,973	–
	DBA[1]		1 March 2020	1 March 2023	–	3,287	–	3,287	117	2,069	–
	FSP		1 March 2017	1 March 2020	4,266	–	4,266	–	1,208	–	–
	FSP		9 April 2018	1 March 2021	2,631	–	–	2,631	94	1,656	–
	PSP[2]		31 May 2019	1 March 2022	4,320	–	–	4,320	–	1,537	172
Sub-total					23,222	3,287	9,618	16,891	3,172	9,449	172

34. Directors' and prescribed officers' remuneration continued

Interests of executive directors and the prescribed officers – unvested awards and cash flow continued

				Number of shares						
2020	Scheme	Award date	Earliest date of vesting	Opening balance on 1 January 2020	Granted during 2020	Vesting during 2020	Closing balance on 31 December 2020	Value of receipts R'000	Estimated fair value on 31 December 2020 R'000	Estimated fair value of cumulative dividend equivalents at 31 December 2020 R'000
P Ramchander[4]	Anglo American plc Share Awards							[6]	[7]	[8]
	DBA	1 March 2018	1 March 2021	3,980	–	–	3,980	46	1,949	–
	DBA	1 March 2019	1 March 2022	2,547	–	–	2,547	30	1,247	–
	DBA	1 March 2020	1 March 2023	–	2,900	–	2,900	34	1,420	–
	LTIP	1 March 2018	1 March 2021	4,000	–	–	4,000	47	1,959	–
	LTIP	1 March 2019	1 March 2022	6,400	–	–	6,400	–	1,772	105
	LTIP	1 March 2020	1 March 2023	–	7,200	–	7,200	–	1,894	50
Sub-total				16,927	10,100	–	27,027	157	10,241	155
TS Smit[5]	Anglo American plc share awards									
	DBA	7 March 2017	7 March 2020	16,772	–	16,772	–	6,779	–	–
	DBA	9 March 2018	9 March 2021	12,829	–	–	12,829	159	6,298	–
	DBA	8 March 2019	8 March 2022	15,427	–	–	15,427	192	7,574	–
	DBA	9 March 2020	9 March 2023	–	13,354	–	13,354	166	6,556	–
	LTIP	12 May 2017	4 March 2020	19,400	–	19,400	–	7,361	–	–
	LTIP	9 March 2018	9 March 2021	11,500	–	–	11,500	–	4,675	358
	LTIP	26 March 2019	8 March 2022	20,200	–	–	20,200	–	5,601	364
	LTIP	6 May 2020	9 March 2023	–	22,600	–	22,600	–	5,950	161
Sub-total				96,128	35,954	36,172	95,910	14,657	36,654	883
SV Tyobeka	Kumba share awards									
	DBA	1 March 2017	1 March 2020	6,200	–	6,200	–	1,756	–	–
	DBA	9 April 2018	1 March 2021	4,850	–	–	4,850	173	3,052	–
	DBA	1 March 2019	1 March 2022	4,011	–	–	4,011	143	2,524	–
	DBA[1]	1 March 2020	1 March 2022	–	3,905	–	3,905	139	2,458	–
	FSP	1 March 2017	1 March 2020	4,616	–	4,616	–	1,307	–	–
	FSP	9 April 2018	1 March 2021	3,126	–	–	3,126	111	1,967	–
	PSP[2]	31 May 2019	1 March 2022	5,134	–	–	5,134	–	1,827	204
	PSP[2]	11 August 2020	1 March 2023	–	6,923	–	6,923	–	2,340	81
Sub-total				27,937	10,828	10,816	27,949	3,629	14,168	285
Total				432,531	212,021	140,310	504,242	50,490	223,274	2,533

[1] DBA shares awarded in terms of the BSP and RSP.
[2] LTIP shares awarded in terms of the PSP.
[3] Anglo American shares previously awarded when employed by Anglo American Coal SA.
[4] Anglo American shares previously awarded when employed by Anglo American Corporate SA.
[5] Anglo American shares traded on the LSE . Value is converted to ZAR at the applicable exchange rate to the declared event.
[6] Includes dividend payments received in March 2020 and August 2020, as well as the face value of share vesting during 2020.
[7] Sum total of the estimated fair value of unvested DBA and FSP shares, 2018 LTIP award (actual vesting of 49.66%), 2019 and 2020 LTIP awards (estimated vesting of 60%). The value is based on a three-day VWAP on 31 December 2020 of R629.33 for Kumba and R489.71 for Anglo American Plc.
[8] Estimated dividend equivalent is based on an estimated 60% vesting probability and accumulated dividends declared to date during the performance period.

Notes to the annual financial statements continued

for the year ended 31 December

34. Directors' and prescribed officers' remuneration continued

Directors' beneficial interest in Kumba

The aggregate beneficial interest in Kumba at 31 December 2021 of the directors of the Company and their immediate families (none of whom has a holding greater than 1%) in the issued shares of the Company are detailed below. There have been no changes to the shareholding since 31 December 2021 to the date of approval of these annual financial statements.

	2021			2020		
Capacity and name	Number of shares	Long-term incentive scheme shares[1]	Total beneficial interest	Number of shares	Long-term incentive scheme shares	Total beneficial interest
Executive directors						
TM Mkhwanazi	**46,779**	**83,551**	**130,330**	40,178	70,396	110,574
BA Mazarura	**—**	**20,386**	**20,386**	—	14,231	14,231
Sub-total	**46,779**	**103,937**	**150,716**	40,178	84,627	124,805
Non-executive director						
MS Bomela	**50**	**—**	**50**	—	—	—
SS Ntsaluba	**500**	**—**	**500**	500	—	500
Sub-total	**550**	**—**	**550**	500	—	500
Total	**47,329**	**103,937**	**151,266**	40,678	84,627	125,305

[1] Granted under the rules of the BSP, BRP and PSP and, disclosed on the tables above.

Statement of financial position

as at 31 December

Rand million	Notes	2021	2020
ASSETS			
Shares at cost[1]	1	**3**	3
Long-term loan to subsidiary[1]	1	**378**	127
Deferred tax assets		**1**	1
Non-current assets		**382**	131
Cash and cash equivalents	2	**406**	314
Current tax asset		**—**	1
Current assets		**406**	315
Total assets		**788**	446
EQUITY AND LIABILITIES			
Share capital and premium	3	**367**	367
Reserves		**61**	45
Accumulated loss		**66**	(182)
Total equity		**494**	230
Other payables		**286**	216
Current tax liabilities		**8**	—
Current liabilities		**294**	216
Total liabilities		**294**	216
Total equity and liabilities		**788**	446

[1] Shares at cost and long-term loan to subsidiary were previously reported as one item. From 2021, these amounts are presented separately to provide more useful information.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

Rand million	Notes	2021	2020
Revenue	4	**36,968**	11,539
Net operating expenses	5	**(79)**	(52)
Operating profit		**36,889**	11,487
Finance income		**97**	42
Profit before taxation		**36,986**	11,529
Taxation	6	**(25)**	(12)
Profit for the year		**36,961**	11,517
Total comprehensive income for the year		**36,961**	11,517

The Company did not have any other comprehensive income during the year other than the profit for the year, therefore no separate statement of other comprehensive income is presented for the years ended 31 December 2021 and 31 December 2020.

Statement of changes in equity

for the year ended 31 December

Rand million	Share capital (note 3)	Share premium (note 3)	Equity-settled share-based payment reserve	Retained earnings/ (accumulated loss)	Total
Balance at 31 December 2019	3	364	29	(227)	169
Equity-settled share-based payments	—	—	31	—	31
Vesting of shares under employee share incentive schemes	—	—	(15)	(9)	(24)
Total comprehensive income for the year	—	—	—	11,517	11,517
Dividends paid	—	—	—	(11,463)	(11,463)
Balance at 31 December 2020	**3**	**364**	**45**	**(182)**	**230**
Equity-settled share-based payments	**—**	**—**	**27**	**—**	**27**
Vesting of shares under employee share incentive schemes	**—**	**—**	**(11)**	**5**	**(6)**
Total comprehensive income for the year	**—**	**—**	**—**	**36,961**	**36,961**
Dividends paid	**—**	**—**	**—**	**(36,718)**	**(36,718)**
Balance as at 31 December 2021	**3**	**364**	**61**	**66**	**494**

Refer to Annexure 3: Equity-settled share-based payments reserve for a description, detailed movements and the valuation assumptions of the share scheme for the year under review.

Statement of cash flows

for the year ended 31 December

Rand million	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations[1]	7	**36,987**	11,538
Finance income received		**97**	42
Dividends paid		**(36,718)**	(11,463)
Taxation paid	8	**(16)**	(14)
		350	103
Cash flows utilised in investing activities			
Loan advanced to subsidiary		**(251)**	(69)
		(251)	69
Cash flows utilised in financing activities			
Vesting of shares under employee share incentive schemes		**(6)**	(24)
		(6)	(24)
Net increase in cash and cash equivalents		**93**	10
Cash and cash equivalents at the beginning of the year		**314**	304
Cash and cash equivalents at the end of the year	2	**407**	314

[1] This amount includes R36,968 million (2020: R11,539 million) in respect of dividends received from SIOC.

Notes to the annual financial statements

for the year ended 31 December

1. Interests in subsidiaries

Rand million	2021	2020
Reflected as non-current assets, consist of:		
Shares at cost	**3**	3
Long-term loan to subsidiary	**378**	127
Net interests in subsidiaries	**381**	130

Investments in subsidiaries are accounted for at cost.

The loan to SIOC bears a variable market-related interest rate of 6.5% and does not have any repayment terms. SIOC has sufficient cash flows to cover the debt highlighted by the dividends declared in the current year. An expected credit loss in this regard is considered to be insignificant and forward looking information does not indicate that this will change.

For further details of interests in significant subsidiaries, refer to Annexure 1.

2. Cash and cash equivalents

Rand million	2021	2020
Cash	**406**	314
Currency analysis of cash and cash equivalents		
Rand	**406**	314

The Company held deposits amounting to R357 million (31 December 2020: R277 million) which are subject to statutory restrictions and are therefore not available for general use by the Company.

Credit risk

Cash and cash equivalents are held with 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 to maturity of these instruments.

3. Share capital and share premium

Number of shares	2021	2020
Authorised		
500,000,000 ordinary shares of R0.01 each	**500,000,000**	500,000,000
Issued		
Ordinary shares of R0.01 each	**322,085,974**	322,085,974
Reconciliation of issued shares		
Number of shares at the beginning of the year	**322,085,974**	322,085,974
Number of shares at the end of the year	**322,085,974**	322,085,974

For further details, refer to note 20 of the group consolidated financial statements.

Rand million	2021	2020
Reconciliation of share capital and premium		
Share capital	**3**	3
Share premium	**364**	364
	367	367

Notes to the annual financial statements continued

for the year ended 31 December

4. Revenue

Rand million	2021	2020
Dividends received from subsidiaries (refer to note 9)	36,968	11,539

5. Net operating expenses

Rand million	2021	2020
Cost by nature		
Salaries and wages	34	35
Equity-settled share-based payments	27	31
Pension, medical and termination costs	1	1
General charges	37	4
Cost recoveries[1]	(20)	(19)
	79	52
The above costs are stated after including:		
Directors' remuneration[2]	36	37
Executive directors		
Emoluments received as directors of the Company	17	20
Bonuses and cash incentives	11	9
Non-executive directors – emoluments as directors of the Company	8	8

[1] This relates to management fees receivable from SIOC.
[2] Refer to note 34 in the group consolidated financial statements.

6. Taxation

Rand million	2021	2020
Charge to income		
SA normal tax		
Current year	25	12
Total	25	12

	%	%
Reconciliation of taxation rates		
Taxation as a percentage of profit before taxation	0.1	0.1
Taxation effect of:		
Disallowable expenditure[1]	(0.1)	(0.1)
Exempt income[2]	28.0	28.0
Standard tax rate	28.0	28.0

[1] These percentages comprise many immaterial amounts which have been therefore aggregated, no individual disclosure has been provided.
[2] This relates to dividend income received from a subsidiary.

7. Cash generated by operations

Rand million	2021	2020
Operating profit	36,889	11,487
Adjusted for:		
Share-based payment expense	27	31
Working capital movements:		
Increase in other payables	71	20
Cash flows generated from operating activities	**36,987**	11,538

8. Normal taxation paid

Rand million	2021	2020
Current tax (asset)/liability at the beginning of the year	(1)	1
Amounts charged to the statement of profit or loss	25	12
Amount paid during the year	(16)	(14)
Current tax liability/(asset) at the end of the year	**8**	(1)

9. Related-party transactions

During the year, Kumba in the ordinary course of business, entered into various transactions for the rendering of services to its subsidiary, SIOC, as well as its holding company, Anglo American plc. Certain deposits and borrowings are also placed with the holding company. The holding company also acts as an agent for the Company in respect of all foreign exchange transactions and performs a back-office treasury function for the group. The effect of these transactions is included in the results of the group. These transactions occurred under terms that are no less favourable than those arranged with third parties.

Holding company

Anglo American plc is Kumba's ultimate holding company. The interest in the group is held through a 69.71% shareholding by Anglo South Africa Proprietary Limited (2020: 69.71%).

Subsidiaries

Details of investments in and loans to/from subsidiaries are disclosed in Annexure 1.

Shareholders

The principal shareholders of the Company are detailed under shareholder analyses on pages 98 to 100.

Related-party transactions:

Rand million	2021	2020
Rendering of services		
SIOC – payroll costs[1]	18	11
Rendering of services and finance income		
SIOC – finance income	80	30
SIOC – service recovery fee[2]	20	19
Amounts owing by related parties		
SIOC – loan[3]	378	127
Dividends paid to/(by) Kumba		
SIOC	36,968	11,539
Holding company	(25,597)	(7,991)

[1] This relates to payroll costs recovered from Kumba by SIOC for work performed for Kumba by SIOC employees.
[2] This relates to management fees receivable from SIOC.
[3] This relates to a loan receivable from SIOC.

Directors

Details relating to the Company's directors' remunerations and shareholdings (including share options) are disclosed in note 34 of the consolidated financial statements.

Notes to the annual financial statements continued

for the year ended 31 December

10. Events after the reporting period

Dividend

A final cash dividend of R30.50 per share was declared by the Board on 21 February 2022 from profits accrued during the financial year ended 31 December 2021. The total cash dividend for the year amounted to R103.20 per share. The estimated total cash flow of the final Kumba dividend, payable on 22 March 2022, is R9.8 billion.

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.

Annexure 1: Investments in subsidiaries

for the year ended 31 December

Rand '000	Country of incorpora-tion[1]	Principal place of business[1]	Nature of business[2]	Percen-tage holding	Nominal issued capital R	Investments at cost 2021	Investments at cost 2020	Loans to subsidiaries 2021	Loans to subsidiaries 2020
Direct investments									
Sishen Iron Ore Company Proprietary Limited	RSA	RSA	A	76%	100	**3,009**	3,009	**378,253**	127,385
KIO Investment Holdings Proprietary Limited	RSA	RSA	C	100%	1,000	**–**	–	**–**	–
Total investments in subsidiaries						**3,009**	3,009	**378,253**	127,385

Indirect subsidiaries

	Country of incorporation[1]	Principal place of business[1]	Nature of business[2]	Percentage holding
Kumba International Trading Limited	JE	UK	B	100%
Kumba Iron Ore Holdings SARL	NE	LUX	C	100%
Kumba Singapore Private Limited	SNG	SNG	B	100%
Sibelo Resources Development Proprietary Limited	RSA	RSA	C	100%

Special purpose entities[3]

	Country of incorporation[1]	Principal place of business[1]	Nature of business[2]	Percentage holding
Kumba Iron Ore Rehabilitation Trust[4]	RSA	RSA	D	100%
Kumba BSP Trust[4]	RSA	RSA	E	100%
SIOC Employee Benefit Trust	RSA	RSA	E	100%

[1] RSA – South Africa, NE – Netherlands, United Kingdom – UK, SNG – Singapore, JE – Jersey, LUX – Luxembourg.
[2] A – Mining, B – Iron ore marketing and sales, C – Dormant, D – Mine closure fund, E – Share incentive scheme administrator.
[3] Controlled by Kumba.
[4] The trusts have a 28 February year end as it is a requirement from the South African Revenue Service. Where the financial year ends are not co-terminous with that of the group, financial information has been obtained from published information on management accounts as appropriate.

Annexure 2: Investments in associates and joint ventures

for the year ended 31 December

R'000	Country of incorpora-tion[1]	Principal place of business[1]	Nature of business[2]	Number of shares held	Percentage holding	Investment at cost R'000	Group loan balance 2021	Group loan balance 2020	Company loan balance 2021	Company loan balance 2020
Associates										
Unlisted										
Essential Prospects 101 Proprietary Limited	RSA	RSA	A	26	26%	50,000	**1,493**	–	**1,493**	–
Manganore Iron Mining Limited	RSA	RSA	B	25,000	50%	–	**–**	–	**–**	–
Total investments in associates						50,000	**1,493**	–	**1,493**	–
Incorporated joint venture										
Unlisted										
Polokwane Iron Ore Company Proprietary Limited (PIOC)	RSA	RSA	A	4,000	50%	3,740	*****	*	**–**	–
						3,740	**–**	–	**–**	–

[1] RSA – South Africa
[2] A – Exploration, B – Dormant.
* Impaired in SIOC's separate financial statements.

The financial year end for Manganore Iron Mining Limited is 30 June. Where the financial year ends are not co-terminous with that of the group, financial information has been obtained from published information or management accounts as appropriate.

The joint venture is equity accounted in the group consolidated financial statements. SIOC's share of PIOC's post-acquisition losses is limited to the investment and the loan to PIOC, resulting in a carrying amount of Rnil (2020: Rnil) in respect of the investment in and loan to PIOC in the group's statement of financial position. As a result, the impairment of the loan receivable from PIOC had no impact on the group's financial statements.

The aggregated carrying amounts of joint ventures and associates is less than R1 million, therefore a summary of statement of financial position and statement of profit or loss are not disclosed.

Annexure 3: Equity-settled share-based payment schemes

for the year ended 31 December

Employee share incentive schemes

Employees of the group participate in the following share incentive schemes:

- Bonus and Retention Share Plan (BRP)
- Performance Share Plan (PSP)
- Bonus Share Plan (BSP)
- Long-Term Incentive Plan LTIP (for Executive Directors)
- SIOC Employee Benefit Share Scheme (Karolo)

1. Bonus and retention share plan

Description of scheme

The BSP, which was approved and adopted by shareholders on 20 March 2009 for a 10-year period, reached its 10th anniversary in March 2019, and was therefore terminated. Consequently, the BRP for key executive and senior managers was implemented during 2019, replacing the BSP.

The BRP is offered to senior managers and key executives who have the opportunity and the responsibility to contribute towards Kumba's overall strategic objectives. The BRP has two components:

- A payment of an annual cash bonus
- A forfeitable award of Kumba shares linked to the participant's annual cash bonus award, known as bonus shares

The number of bonus shares awarded is determined with reference to the amount of the annual cash bonus an employee receives which is directly linked to the employee's personal performance and potential. The shares are held in an escrow account and released to the employee three years after the award date (subject to continuous employment). During the three-year period, the employee is entitled to all rights attached to the bonus shares including dividend entitlements and voting rights.

Movement in the number of share awards granted

	2021 award	2020 award	2019 award
Balance at the beginning of the year	**—**	234,970	4,062
Bonus shares awarded	**122,610**	1,437	—
Awards forfeited	**(1,084)**	(2,521)	—
Awards exercised[1]	**(2,750)**	(8,342)	—
Awards exercised on vesting	**—**	—	(2,342)
Balance at 31 December 2021	**118,776**	225,544	1,720
Balance at the beginning of the year		—	4,304
Bonus shares awarded		242,154	4,379
Awards forfeited		(7,184)	—
Awards exercised on vesting		—	(4,621)
Balance at 31 December 2020		234,970	4,062

[1] This relates to the *pro rata* portion of the Bonus Shares granted to employees who are considered good leavers (retirement, retrenchment and medical incapacity) in terms of the share rules.

	Number of awards award	**Expiry date**
Vesting period of awards granted		
Less than 1 year	**1,720**	**2022**
1 to 2 years	**257,660**	**2023**
2 to 5 years	**86,660**	**2024-2025**

Annexure 3: Equity-settled share-based payment schemes continued

for the year ended 31 December

1. Bonus and retention share plan continued

Valuation of scheme

The share awards granted under the BRP are considered equity-settled.

The share-based payment expense is measured using the fair value of the share awards issued under the BRP which was determined using the Kumba share price on grant date.

	2021 award	2020 award	2019 award
Fair value assumptions			
Share price on date of grant (Rand)	**655.45**	283.23	457.29
Expected share option life (years)	**3**	3	3
Expected dividend yield (%)	**5.00**	5.00	5.00

The risk-free interest rate for the period within the contractual term of the awards is based on South African government bonds.

The historical volatility of the Kumba share price is used in determining the expected volatility.

2. Performance share plan

Description of scheme

LTIP awards were granted to the executive directors under the Kumba LTIP rules. The LTIP awards have performance conditions attached to the vesting and do not qualify for shareholder rights over the three-year vesting period.

The PSP scheme was implemented during 2019, replacing the LTIP. The PSP awards have performance conditions attached to the vesting and do not qualify for shareholder rights over the vesting period. The payment of dividend equivalents will be incorporated into the awards for qualifying prescribed officers and senior managers to offset the loss of dividend rights associated with the conditional share award pre-vesting. No dividend equivalent policy will apply to the executive directors.

Movement in the number of conditional awards granted

	Number of conditional awards		
	2021 award	2020 award	2019 award
Balance at the beginning of the year	**–**	120,580	93,733
Conditional awards issued	**76,176**	–	–
Conditional awards forfeited	**(3,362)**	(5,036)	(2,379)
Conditional awards vested	**–**	(1,959)	(3,986)
Balance at 31 December 2021	**72,814**	113,585	87,368
Balance at the beginning of the year		–	82,784
Conditional awards issued		120,580	15,262
Conditional awards vested		–	(4,313)
Balance at 31 December 2020		120,580	93,733

	Number of conditional awards	Expiry date
Vesting period of conditional awards granted		
Less than 1 year	**87,450**	**2022**
1 to 2 years	**116,885**	**2023**
2 to 5 years	**69,432**	**2024**

2. Performance share plan continued

Valuation of scheme

The conditional awards granted under the PSP are considered equity-settled.

The share-based payment expense is measured using the fair value of the conditional award issued under the PSP which was determined using the Monte Carlo option pricing model.

	2021 award	2020 award	2019 award
Fair value assumptions			
Share price on date of grant (Rand)	**655.45**	537.03	450.02
Annualised expected volatility (%)	**49.19**	50.81	50.00
Expected share option life (years)	**3**	3	3
Expected dividend yield (%)	**5.00**	5.00	5.00
Risk-free interest rate (%)	**6.20**	5.50	7.60

The risk-free interest rate for the period within the contractual term of the awards is based on South African government bonds.

The historical volatility of the Kumba share price is used in determining the expected volatility.

3. Bonus share plan

Description of scheme

The BSP for executive directors and senior managers was adopted and implemented during 2009, and terminated in March 2019 when it reached its 10th anniversary, as mentioned above. The BSP was offered to senior managers and key executives who have the opportunity and the responsibility to contribute towards Kumba's overall strategic objectives. The BSP had two components:

- A payment of an annual cash bonus
- A forfeitable award of Kumba shares linked to the participant's annual cash bonus award known as bonus shares.

The number of bonus shares awarded was determined with reference to the amount of the annual cash bonus an employee receives which was directly linked to the employee's personal performance and potential. The shares are held by an escrow agent and released to the employee three years after the award date (subject to continuous employment). During the three-year period, the employee is entitled to all rights attached to the bonus shares including dividend entitlements and voting rights.

The BSP scheme was replaced by the BRP scheme, as mentioned above. All awards granted since July 2019 are awarded on the BRP scheme.

Movement in the number of share awards granted

	2021 and 2020 awards	2019 award	2018 award	2017 award
Balance at the beginning of the year	**–**	203,404	231,819	4,667
Awards forfeited	**–**	(2,435)	–	–
Awards exercised[1]	**–**	(7,953)	–	–
Awards exercised on vesting	**–**	–	(225,531)	–
Balance at 31 December 2021	**–**	193,016	6,288	4,667
Balance at the beginning of the year		213,430	247,984	313,123
Awards forfeited		(8,377)	(9,568)	(3,573)
Awards exercised[1]		(1,649)	(4,188)	(6,077)
Awards exercised on vesting		–	(2,409)	(298,806)
Balance at 31 December 2020		203,404	231,819	4,667

[1] This relates to the *pro rata* portion of the bonus shares granted to employees who are considered good leavers in terms of the share scheme rules.

Annexure 3: Equity-settled share-based payment schemes continued

for the year ended 31 December

3. Bonus share plan continued

	Number of awards	Expiry date
Vesting period of awards granted		
Less than 1 year	**189,504**	**2022**
1 to 2 years	**6,288**	**2023**
2 to 5 years	**8,179**	**2024**

Valuation of scheme

The share awards granted under the BSP are considered equity-settled.

The share-based payment expense was measured using the fair value of the share awards issued under the BSP which was determined using the grant date share price of Kumba's shares.

	2021 and 2020 awards	2019 award	2018 award	2017 award
Fair value assumptions				
Share price on date of grant (Rand)	–	378.39	331.35	213.43
Expected share option life (years)	–	3	3	3
Expected dividend yield (%)	–	5.00	5.00	5.00
Risk-free interest rate (%)	–	7.60	5.63	6.50

The risk-free interest rate for the period within the contractual term of the awards is based on South African government bonds.

The historical volatility of the Kumba share price is used in determining the expected volatility.

4. Long-term incentive plan

Description of scheme

Similar to the BSP, awards under the LTIP also came to an end during 2019 after reaching its tenth anniversary and have been replaced by the PSP scheme. Executive directors received annual grants of conditional awards of Kumba shares.

The conditional awards vested after the performance period of three years, and to the extent that specific performance conditions had been satisfied. No retesting of the performance conditions was allowed. The performance conditions for the LTIP awards made to date were subject to the achievement of stretching performance targets relating to total shareholder return and to an operating measure, currently the return on capital employed (ROCE), over a fixed three-year period.

The performance conditions determined if, and to what extent, the conditional award would vest. Upon vesting, the employee would be entitled to shares in Kumba to settle the value of the vested portion of the conditional award. The conditional awards which would not vest at the end of the remaining three-year period lapsed.

Upon retrenchment, ill-health, disability, retirement or death a proportion of the remaining unvested conditional awards vested on the date of cessation of employment. The proportion of awards that vested under the LTIP would reflect the number of months' service and, in the opinion of the Remuneration Committee, the extent to which the performance conditions were met. On resignation or termination of employment, all unexercised (vested and unvested) conditional awards lapsed on the date of cessation of employment.

The main intention of the LTIP was to settle the benefits by delivering Kumba shares to employees.

The aggregate number of shares which would be allocated under the LTIP when added to the total number of unvested conditional awards, unexercised share appreciation rights and share options allocated to employees under any other managerial share scheme, would not exceed 10% of the number of issued ordinary shares of Kumba.

4. Long-term incentive plan continued

Movement in the number of conditional awards granted

	Number of conditional awards				
	2021 award	2020 award	2019 award	2018 award	2017 award
Balance at the beginning of the year	**–**	–	–	39,982	–
Conditional awards vested	**–**	–	–	(19,853)	–
Conditional awards forfeited	**–**	–	–	(20,129)	–
Balance at 31 December 2021	**–**	–	–	–	–
Balance at the beginning of the year		–	–	39,982	59,244
Conditional awards issued		–	–	–	(59,244)
Balance at 31 December 2020		–	–	39,982	–

No new conditional awards were made under the LTIP scheme after the 2018 financial year. This scheme has ended and all new conditional awards are now granted in terms of the PSP scheme.

Valuation of scheme

The conditional awards granted under the LTIP were considered equity-settled.

The share-based payment expense was measured using the fair value of the conditional award issued under the LTIP which was determined using the Monte Carlo option pricing model.

	2018 award	2017 award
Fair value assumptions		
Share price on date of grant (Rand)	288.86	213.43
Annualised expected volatility (%)	50.00	50.00
Expected share option life (years)	3.00	3.00
Expected dividend yield (%)	5.00	5.00
Risk-free interest rate (%)	7.60	7.80

The risk-free interest rate for the period within the contractual term of the awards was based on South African government bonds.

The historical volatility of the Kumba and, where applicable, the Kumba Resources share price was used in determining the expected volatility.

Annexure 3: Equity-settled share-based payment schemes continued

for the year ended 31 December

5. SIOC employee benefit share scheme (Karolo)

Description of scheme

Karolo scheme became effective in August 2018, comprising an annual grant of free Kumba shares, which vest after three years, to qualifying employees. The first award was successfully made on 6 August 2018. The shares are held by an agent and released to the employee three years after the award date, subject to continuous employment. During the three-year period, the employee is entitled to all rights attached to the bonus shares, including dividend entitlements and voting rights.

Movement in the number of share awards granted

	2021 award	2020 award	2019 award	2018 award
Balance at the beginning of the year	**–**	233,526	228,631	319,578
Bonus shares awarded	**192,033**	–	–	–
Awards forfeited	**(828)**	(4,079)	(3,943)	(4,084)
Awards exercised[1]	**(2,052)**	(8,211)	(8,201)	(681)
Awards exercised on vesting	**–**	–	–	(314,668)
Balance at 31 December 2021	**189,153**	221,236	216,487	145
Balance at the beginning of the year		–	234,286	328,539
Bonus shares awarded		235,805	–	–
Awards forfeited		(1,677)	(3,411)	(5,444)
Awards exercised[1]		(602)	(2,244)	(3,517)
Balance at 31 December 2020		233,526	228,631	319,578

[1] This relates to the *pro rata* portion of the shares granted to employees who are considered good leavers in terms of the share rules.

	Number of awards	**Expiry date**
Vesting period of awards granted		
Less than 1 year	**216,632**	**2022**
1 to 2 years	**221,236**	**2023**
2 to 5 years	**189,153**	**2024**

Valuation of scheme

The share awards granted under the Karolo scheme are considered equity-settled.

The share-based payment expense is measured using the fair value of the share award issued under the Karolo scheme which was determined using the grant date share price of Kumba's shares.

	2021 awards	2020 awards	2019 award	2018 award
Fair value assumptions				
Share price on date of grant (Rand)	**614.02**	549.21	435.56	280.75
Expected share option life (years)	**3.00**	3.00	3.00	3.00
Expected dividend yield (%)	**5.00**	5.00	5.00	5.00

The risk-free interest rate for the period within the contractual term of the awards is based on South African government bonds.

The historical volatility of the Kumba share price is used in determining the expected volatility.

The aggregate number of shares which may be allocated under the BRP, PSP, BSP, and Karolo, when added to the total number of unvested conditional awards and share options allocated to employees under any other managerial share scheme, may not exceed 31,194,612 shares. At the end of 2021, a total of 29,743,813 shares (2020: 29,479,660 shares) were available for utilisation under the share incentive schemes.

Annexure 4: New and amended standards not yet adopted by the group

A number of new standards and amendments to standards and interpretations are in issue but not effective for annual periods beginning on 1 January 2021. The group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Amendments to IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets* – Onerous contracts – cost of fulfilling a contract

The amendments apply a directly related cost approach which requires that costs that relate directly to a contract to provide goods or services should include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs for contract management and supervision). General and administrative costs do not relate directly to a contract and are therefore excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual periods beginning on or after 1 January 2022. These amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

The group is assessing the impact of the amendments on its existing contracts, which could potentially be onerous, however, due to the scope and nature of the group's contracts, these amendments are not expected to have any significant impact on the consolidated financial statements.

Amendments to IFRS 3 *Business Combinations* reference to the conceptual framework for financial reporting

The amendments are intended to replace a reference to a previous version of the IASB's conceptual framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use.

The amendments are all effective for annual periods beginning on or after 1 January 2022. These amendments are not expected to have any significant impact on the consolidated and separate financial statements.

Amendments to IAS 16 *Property, Plant and Equipment*: proceeds before intended use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in the statement of profit or loss.

The amendments are all effective for annual periods beginning on or after 1 January 2022. These amendments are not expected to have any significant impact on the consolidated and separate financial statements.

IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts* is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts*.

Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation of the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

The standard is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on or before the date it first applies the standard.

These amendments are not expected to have any significant impact on the group's consolidated and separate financial statements.

Annexure 4: New and amended standards not yet adopted by the group continued

Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*

The amendments seek to clarify the requirements for classifying liabilities as current or non-current. Liabilities are classified as non-current if the entity has a substantive right to defer settlement for at least 12 months at the end of the reporting period. The amendments no longer refer to unconditional rights, since loans are rarely unconditional. The assessment determines whether a right exists, but it does not consider whether the entity will exercise the right. So, management's expectations do not affect the classification. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waive is obtained after the reporting date.

The group has considered its existing liabilities classification in light of this amendments and determined whether any changes to the classification of the liabilities are required at the reporting period. It was therefore determined that these amendments will not have any significant impact on the consolidated and separate financial statements.

The amendments are all effective for annual periods beginning on or after 1 January 2023.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities should use measurement techniques and inputs to develop accounting estimates. Furthermore, the amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies.

The amendments are not expected to have a material impact on the consolidate and separate financial statements, they will, however, provide helpful guidance for the group in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

The amendments are effective for annual periods beginning on or after 1 January 2023.

Annexure 5: Statement of financial position – US Dollar convenience translation

(supplementary information) – as at 31 December

US Dollar million	2021	2020
ASSETS		
Property, plant and equipment	2,709	2,735
Right-of-use assets	25	32
Biological assets	2	2
Investments held by environmental trust	50	45
Investment in associate	4	
Long-term prepayments and other receivables	10	10
Inventories	272	255
Deferred tax assets	*	—
Non-current assets	3,072	3,079
Inventories	425	399
Trade and other receivables	462	596
Current tax assets	50	—
Cash and cash equivalents	1,123	1,546
Current assets	2,060	2,541
Total assets	5,132	5,620
EQUITY AND LIABILITIES		
Shareholders' equity	2,796	3,231
Non-controlling interests	867	1,004
Total equity	3,663	4,235
Lease liabilities	17	23
Provisions	163	177
Deferred tax liabilities	660	653
Non-current liabilities	840	853
Lease liabilities	9	12
Provisions	14	10
Trade and other payables	566	456
Contract liabilities	24	13
Current tax liabilities	16	42
Current liabilities	629	532
Total liabilities	1,469	1,385
Total equity and liabilities	5,132	5,620
Exchange rate		
Translated at closing Rand/US$ exchange rate	15.96	14.69

* Amount is less than US$1 million.

Note: The results of Kumba Iron Ore Limited whose functional currency is the Rand have been translated into US dollars. Assets and Liabilities presented in the statement of financial position are translated at the closing exchange rate at 31 December 2021.

Annexure 6: Statement of profit or loss – US Dollar convenience translation

(supplementary information) – for the year ended 31 December

US Dollar million	2021	2020
Revenue	**6,903**	4,865
Operating expenses	**(2,860)**	(2,365)
Expected credit losses on financial assets	**(10)**	(10)
Operating profit	**4,033**	2,490
Finance income	**53**	38
Finance costs	**(19)**	(16)
Profit before taxation	**4,067**	2,512
Taxation	**(1,105)**	(690)
Profit for the year	**2,962**	1,822
Attributable to:		
Owners of Kumba	**2,259**	1,393
Non-controlling interests	**703**	429
	2,962	1,822
Earnings per share attributable to the ordinary equity holders of Kumba (US Dollar per share)		
Basic	**7.01**	4.31
Diluted	**6.99**	4.30
Exchange rate		
Translated at average Rand/US$ exchange rate	**14.79**	16.47

Note: The results of Kumba Iron Ore Limited whose functional currency is the Rand have been translated into US dollars. Income and expenses presented in the statement of profit or loss have been translated at the average exchange rate for the 2021 financial year.

Shareholder analysis

Register date: 31 December 2021

Issued share capital: 322,085,974

	Number of shareholdings	%	Number of shares	%
Shareholder spread				
1 – 1,000 shar es	15,160	90.69	2,274,889	0.71
1,001 – 10,000 shares	1,192	7.14	3,882,074	1.20
10,001 – 100,000 shares	288	1.72	9,422,413	2.92
100,001 – 1,000,000 shares	64	0.38	17,958,498	5.58
1,000,001 shares and over	12	0.07	288,548,100	89.59
Total	**16,716**	**100.00**	**322,085,974**	**100.00**
Distribution of shareholders				
Strategic investor	1	0.01	224,535,915	69.71
Government	4	0.02	41,519,315	12.89
Banks/brokers	285	1.71	30,350,720	9.42
Close corporations	89	0.53	54,501	0.02
Endowment funds	39	0.23	237,516	0.07
Individuals	14,422	86.28	4,550,183	1.41
Insurance companies	33	0.20	869,196	0.27
Investment companies	6	0.04	50,784	0.02
Medical schemes	17	0.10	106,186	0.03
Mutual funds	313	1.87	6,708,913	2.08
Other corporations	67	0.40	24,656	0.01
Private companies	262	1.57	506,225	0.16
Public companies	7	0.04	16,294	0.01
Retirement funds	208	1.24	10,015,750	3.11
Share trusts	3	0.02	633,565	0.20
Sovereign wealth funds	10	0.06	834,883	0.26
Trusts	950	5.68	1,071,372	0.33
Total	**16,716**	**100.00**	**322,085,974**	**100.00**
Public/non-public shareholders				
Non-public shareholders	**21**	**0.12**	**268,007,684**	**83.21**
Directors, associates and Executive Committee of the Company	15	0.09	207,159	0.06
Strategic holdings	2	0.01	266,034,530	82.60
Related holdings	4	0.02	1,765,995	0.55
Public shareholders	**16,695**	**99.88**	**54,078,290**	**16.79**
Total	**16,716**	**100.00**	**322,085,974**	**100.00**

	Number of shares	%
Beneficial shareholders holding 2% or more		
Anglo South Africa Proprietary Limited	224,535,915	69.71
Industrial Development Corporation of South Africa Limited	41,498,615	12.88
Government Employees Pension Fund	8,248,386	2.56
Total	**274,282,916**	**85.15**

Shareholder analysis continued

Register date: 31 December 2021

Issued share capital: 322,085,974

Breakdown of non-public holdings

	Number of shares	%
Directors, associates and executives of the Company		
Mazarura, BA (Chief Financial Officer)	**20,386**	**0.01**
BA Mazarura	20,386	0.01
TM Mkhwanazi	**130,330**	**0.04**
TM Mkhwanazi	83,551	0.03
TM Mkhwanazi	46,779	0.01
GM Mc Gavigan	**9,788**	**0.00**
GM Mc Gavigan	9,788	0.00
PJP Fourie	**7,574**	**0.00**
PJP Fourie	7,574	0.00
CO Malander	**5,284**	**0.00**
CO Malander	5,284	0.00
V Kumar	**1,884**	**0.00**
V Kumar	1,884	0.00
P Ramchander	**1,418**	**0.00**
P Ramchander	1,418	0.00
SV Tyobeka	**14,346**	**0.00**
SV Tyobeka	9,772	0.00
SV Tyobeka	4,574	0.00
Y Mfolo	**7,089**	**0.00**
Y Mfolo	7,089	0.00
SA Martin	**7,265**	**0.00**
SA Martin	7,265	0.00
F Patel	**1,245**	**0.00**
F Patel	1,245	0.00
SS Ntsaluba	**500**	**0.00**
SS Ntsaluba	500	0.00
MS Bomela	**50**	**0.00**
MS Bomela	50	0.00
Total	**207,159**	**0.05**
Strategic holdings		
Anglo American	224,535,915	69.71
Industrial Development Corporation of South Africa Limited	41,498,615	12.88
Total	**266,034,530**	**82.59**
Related holdings		
Mercantile Shareholder Nominees – Exxaro	**1,132,430**	**0.35**
Mercantile Shareholder Nominees – Exxaro	1,132,430	0.35
Kumba BSP Trust	**2,513**	**0.00**
Kumba BSP Trust	2,513	0.00
SIOC Employee Benefit Trust – Allocated	**627,751**	**0.19**
SIOC Employee Benefit Trust – Allocated	627,751	0.19
SIOC Employee Benefit Trust – Unallocated	**3,301**	**0.00**
SIOC Employee Benefit Trust – Unallocated	3,301	0.00
Total	**1,765,995**	**0.54**

Breakdown of beneficial shareholders holding 2% or more

	Number of shares	%
Beneficial shareholders		
Anglo American	**224,535,915**	**69.71**
Anglo South Africa Capital Proprietary Limited	224,535,915	69.71
Industrial Development Corporation of South Africa Limited	**41,498,615**	**12.88**
Industrial Development Corporation of South Africa Limited	41,498,615	12.88
Government Employee Pension Fund	**8,248,386**	**2.56**
Government Employees Pension Fund – PIC	8,046,497	2.50
Government Employees Pension Fund – Sentio	201,889	0.06
Total	**274,282,916**	**85.15**

Administration

Company registration number

2005/015852/06
JSE share code: KIO
ISIN code: ZAE000085346

Company secretary and registered office

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FORWARD LOOKING STATEMENTS

Certain statements made in this report constitute forward looking statements. Forward looking statements are typically identified by the use of forward looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof, or other variations thereon, or comparable terminology, or by discussions of, for example, future plans, present or future events, or strategy that involves risks and uncertainties. Such forward looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control and all of which are based on the Company's current beliefs and expectations about future events. Such statements are based on current expectations and, by their nature, are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance, expressed or implied, by the forward looking statement. No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company and its subsidiaries. The forward looking statements contained in this report speak only as of the date of this report and the Company undertakes no duty to update any of them and will not necessarily do so, in light of new information or future events, except to the extent required by applicable law or regulation.

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