CHAPTER 10:
ASSETS

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10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.1 ACCOUNTING POLICIES RELATING TO PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

Land and assets under construction are stated at cost and are not depreciated. Buildings, including certain non-mining residential buildings, and all other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses. The cherry trees qualify as bearer plants under the definition of IAS 41 *Agriculture,* and are therefore accounted for under the requirements for plant and equipment. The cherry trees are classified as immature until the produce can be commercially harvested. At that point, depreciation commences. Immature cherry trees are measured at accumulated cost.

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual values of the assets. Useful life is either the period of time over which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the asset.

Items of property, plant and equipment are capitalised in components where components have a different useful life to the main item of property, plant and equipment to which the component can be logically assigned.

An asset's residual value and useful life is reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives of items of property, plant and equipment are:

	2020				2019		
	Coal	Energy	Ferrous	Other	Coal	Ferrous	Other
Mineral properties	2.5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	N/A	5 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Residential buildings	1 to 40 years	N/A	N/A	N/A	1 to 40 years	N/A	N/A
Buildings and infrastructure	1 to 40 years	26.3 and 26.4 years	10 to 20 years	20 to 25 years	1 to 40 years	10 to 20 years	20 to 25 years
Machinery, plant and equipment	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	3 to 26.4 years	5 to 25 years	1 to 20 years	13 000 to 50 000 hours or 1 to 40 years or 6.7Mt to 72.7Mt	5 to 25 years	1 to 20 years
Site preparation and mining development	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A	N/A	1 to 25 years or 6.7Mt to 72.7Mt	N/A	N/A
Bearer plants (mature)	N/A	N/A	N/A	7 years	N/A	N/A	7 years

Exploration costs

Exploration and evaluation costs are expensed until management (as determined per project) concludes that future economic benefits (as determined per project) are more likely than not of being realised. In evaluating if expenditure meets the criteria to be capitalised, several sources of information depending on the level of exploration, are utilised. While the criteria for determining capitalisation is based on the probability of future economic benefits, the information that management uses to make that determination depends on the level of exploration.

Development costs

Development expenditure is accumulated separately for each area in which economically recoverable resources (as determined per project) have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, including the cost of material, direct labour and an appropriate proportion of production overheads. Development costs are capitalised once approval for such development is obtained from management (as determined per project). Development expenditure is net of proceeds from the sale of ore extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as either plant and equipment or other mineral assets.

10.1.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Depreciation and useful lives

The depreciable amounts of assets are allocated on a systematic basis over their useful lives. In determining the depreciable amount, management makes assumptions in respect of the residual value of assets based on the expected estimated amount that the entity would currently obtain from disposing the asset, after deducting the estimated costs of disposal. If an asset is expected to be abandoned, the residual value is estimated at nil. In determining the useful lives of assets, 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.

Management makes estimates of coal resources and coal reserves in accordance with the SAMREC Code (2009) for South African properties and the Joint Ore Reserves Committee code (2012) for Australian properties. Such estimates relate to the category for the resource (measured, indicated or inferred), the quantum and the grade.

10.1 PROPERTY, PLANT AND EQUIPMENT

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS

		Group								
At 31 December 2020	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation and mining development Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year		514	2 135	786	5 709	23 144	737	2	9 762	42 789
Additions					413	942	196		1 589	3 140
Changes in decommissioning assets	13.3				(14)	(56)	3		(21)	(88)
Acquisition of subsidiaries	8.3.2.4				4	5 948				5 952
Transfer of operation			(137)							(137)
Borrowing costs capitalised	12.1.2								374	374
Disposals			(27)	(1)	(34)	(592)	(13)		(3)	(670)
Reclassification to non-current assets held-for-sale	8.4	(4)	(991)		(150)	(1 063)	(393)		(84)	(2 685)
Transfer between classes			128		2 014	3 198	103		(5 443)	
Exchange differences on translation		14			1					15
At end of the year		524	1 108	785	7 943	31 521	633	2	6 174	48 690
Accumulated depreciation										
At beginning of the year			(703)	(164)	(1 026)	(7 136)	(93)			(9 122)
Charges for the year	6.1.3		(57)	(26)	(294)	(1 774)	(85)	(1)		(2 237)
Transfer of operation			137							137
Disposals			26	1	28	480	6			541
Reclassification to non-current assets held-for-sale	8.4		73		23	354	35			485
Transfer between classes						1	(1)			
At end of the year			(524)	(189)	(1 269)	(8 075)	(138)	(1)		(10 196)
Accumulated impairment										
At beginning of the year					(14)	(90)			(1)	(105)
Impairment charges	8.5		(837)		(33)	(305)	(154)		(30)	(1 359)
Reclassification to non-current assets held-for-sale	8.4		837		33	305	154		30	1 359
Disposals					3	3				6
At end of the year					(11)	(87)			(1)	(99)
Net carrying amount at end of the year		524	584	596	6 663	23 359	495	1	6 173	38 395

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS continued

		Group								
At 31 December 2019	Note	Land and buildings Rm	Mineral properties Rm	Residential land and buildings Rm	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Site preparation and mining development Rm	Bearer plants Rm	Assets under construction Rm	Total Rm
Gross carrying amount										
At beginning of the year		444	2 151	661	4 933	21 417	467	2	6 669	36 744
Transfer to right-of-use assets						(16)				(16)
Balance at 1 January 2019		444	2 151	661	4 933	21 401	467	2	6 669	36 728
Additions		73	1	30	462	1 472	361		3 800	6 199
Transfer from right-of-use assets						14				14
Changes in decommissioning assets	13.3				(7)	(21)	7		17	(4)
Borrowing costs capitalised	12.1.2								448	448
Loss of control of subsidiary			(17)		(9)	(2)				(28)
Disposals				(36)	(70)	(360)	(99)			(565)
Transfer between classes				131	400	640	1		(1 172)	
Exchange differences on translation		(3)								(3)
At end of the year		514	2 135	786	5 709	23 144	737	2	9 762	42 789
Accumulated depreciation										
At beginning of the year			(664)	(175)	(907)	(5 891)	(154)			(7 791)
Transfer to right-of-use assets						2				2
Balance at 1 January 2019			(664)	(175)	(907)	(5 889)	(154)			(7 789)
Charges for the year	6.1.3		(39)	(24)	(193)	(1 555)	(38)			(1 849)
Disposals				35	68	307	99			509
Loss of control of subsidiary					6	1				7
At end of the year			(703)	(164)	(1 026)	(7 136)	(93)			(9 122)
Accumulated impairment										
At beginning of the year					(18)	(108)			(2)	(128)
Impairment reversals					4	18			1	23
At end of the year					(14)	(90)			(1)	(105)
Net carrying amount at end of the year		514	1 432	622	4 669	15 918	644	2	9 761	33 562

10.1 PROPERTY, PLANT AND EQUIPMENT continued

10.1.3 PROPERTY, PLANT AND EQUIPMENT COMPOSITION AND ANALYSIS continued

		Company			
At 31 December 2020	Note	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year		1	831	253	1 085
Additions			9	93	102
Disposals			(101)		(101)
Transfer between classes			105	(105)	
At end of the year		1	844	241	1 086
Accumulated depreciation					
At beginning of the year			(483)		(483)
Charges for the year	6.1.3		(91)		(91)
Disposals			87		87
At end of the year			(487)		(487)
Net carrying amount at end of the year		1	357	241	599

		Company			
At 31 December 2019	Note	Buildings and infra-structure Rm	Machinery, plant and equipment Rm	Assets under construction Rm	Total Rm
Gross carrying amount					
At beginning of the year			788	132	920
Additions		1	93	161	255
Disposals			(90)		(90)
Transfer between classes			40	(40)	
At end of the year		1	831	253	1 085
Accumulated depreciation					
At beginning of the year			(469)		(469)
Charges for the year	6.1.3		(86)		(86)
Disposals			72		72
At end of the year			(483)		(483)
Net carrying amount at end of the year		1	348	253	602

10.1.4 CAPITAL COMMITMENTS

	Group		Company	
At 31 December	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Contracted	2 339	2 225	118	42
Contracted (owner-controlled)	1 990	1 985	118	42
Share of capital commitments of equity-accounted investments	349	240		
Authorised, but not contracted	1 484	3 119	151	134
Authorised but not contracted (owner-controlled)	1 484	3 119	151	134

Capital expenditure will be financed from available cash resources, funds generated from operations and available borrowing capacity.

10.2 INTANGIBLE ASSETS

10.2.1 ACCOUNTING POLICIES RELATING TO INTANGIBLE ASSETS

Patents, licences and customer contracts

Patents, licences and customer contracts are Intangible assets with a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the finite useful life assets from the date it is available for use. The amortisation method, useful lives and residual values are reviewed at each reporting date and adjusted where appropriate. The estimated useful lives of intangible assets with a finite useful life are:

	2020	2019
Customer contracts	16.3 and 16.4 years	
Patents and licences	1 to 25 years	1 to 25 years

Impairment testing is undertaken when circumstances indicate that the carrying amount may not be recoverable. Refer note 8.1.3.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. Refer note 8.1.1 for the policy on the measurement of goodwill at initial recognition.

Goodwill is carried at cost less accumulated impairment losses and is not subject to amortisation, but rather is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment.

For purposes of impairment testing, goodwill acquired in a business combination is allocated to each CGU, or group of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

The carrying value of the CGU containing goodwill is compared to its recoverable amount, which is the higher of value in use or the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

10.2.2 SIGNIFICANT JUDGEMENTS AND ASSUMPTIONS MADE BY MANAGEMENT IN APPLYING THE RELATED ACCOUNTING POLICIES

Impairment testing of goodwill

In allocating goodwill, the Cennergi group of companies has been identified as a single CGU to which goodwill of R521 million has been allocated.

The Cennergi CGU was assessed for impairment at 31 December 2020 as a result of the requirement to test goodwill annually for impairment. There were no other indicators of impairment for the Cennergi CGU during the reporting period. No impairment charge was required as the recoverable amount, determined using fair value less costs of disposal, exceeded the carrying amount on 31 December 2020.

The recoverable amount was derived using a DCF model which is a Level 3 valuation technique in terms of the fair value hierarchy. The valuation has been performed in South African rand using the following information:

- Approved financial budgets covering a five-year period
- Project financing models post the five-year budget period up to the end of the contractual life of the power purchase agreements
- Extrapolated results for a further post-contractual 10-year period, representing the expected additional economic life for which the wind farms are expected to operate.

The key assumptions made by management (expressed in nominal terms) and management's approach to determining these key assumptions is summarised as follows:

Key assumptions	Management's approach used to determining the values	2020
Discount rate:	Determined applying a risk-free rate of return adjusted for risks inherent to the Cennergi CGU	13.80%
Life of Cennergi CGU:	The wind farms are expected to have a further operating capability of an additional ten-years post the existing power purchase agreements in accordance with technical engineering assessments. In addition, given the expected growth in demand for energy in South Africa, coupled with limited supply of energy, and in particular the worldwide drive towards energy supply to be from renewable sources, it is considered that there is a market with value post the existing power purchase agreements.	26.4 years
Gigawatt generation:	The Gigawatt generation assumption has been determined based on past experience, as well as environmental assessments of wind conditions and capability of the turbines.	664 GWh
Tariff escalation range:	The tariff is based on CPI escalation during the power purchase agreement term which has been determined based on past experience and from economist projected outlooks of CPI. For the post 10-year period the tariff has been set at a reduced constant expected CPI.	4.5% to 5.7%

Management has considered and assessed reasonably possible changes to the key assumptions and has not identified any instances that could cause the carrying amount of the Cennergi CGU to exceed its recoverable amount.

10.2 INTANGIBLE ASSETS continued

10.2.3 INTANGIBLE ASSETS COMPOSITION AND ANALYSIS

		Group			
At 31 December 2020	Note	Goodwill Rm	Customer contracts Rm	Patents and licenses Rm	Total Rm
Gross carrying amount					
At beginning of the year		1 524		43	1 567
Additions				2	2
Acquisition of subsidiaries	8.3	521	2 685		3 206
Exchange differences				1	1
Reclassification to non-current assets held-for-sale	8.4	(1 524)		(7)	(1 531)
At end of the year		521	2 685	39	3 245
Accumulated amortisation					
At beginning of the year				(27)	(27)
Charges for the year	6.1.3		(123)	(5)	(128)
Reclassification to non-current assets held-for-sale	8.4			5	5
At end of the year			(123)	(27)	(150)
Accumulated impairment					
At beginning of the year		(1 524)			(1 524)
Reclassification to non-current assets held-for-sale	8.4	1 524			1 524
At end of the year					
Net carrying amount at end of the year		521	2 562	12	3 095
At 31 December 2019					
Gross carrying amount					
At beginning of the year		1 524		38	1 562
Additions				5	5
At end of the year		1 524		43	1 567
Accumulated amortisation					
At beginning of the year				(23)	(23)
Charges for the year	6.1.3			(4)	(4)
At end of the year				(27)	(27)
Accumulated impairment					
At beginning of the year		(1 524)			(1 524)
At end of the year		(1 524)			(1 524)
Net carrying amount at end of the year				16	16

		Company	
At 31 December 2020	Note	Patents and licenses Rm	Total Rm
Gross carrying amount			
At beginning of the year		22	22
At end of the year		22	22
Accumulated amortisation			
At beginning of the year		(14)	(14)
Charges for the year	6.1.3	(2)	(2)
At end of the year		(16)	(16)
Net carrying amount at end of the year		6	6
At 31 December 2019			
Gross carrying amount			
At beginning of the year		21	21
Additions		1	1
At end of the year		22	22
Accumulated amortisation			
At beginning of the year		(12)	(12)
Charges for the year	6.1.3	(2)	(2)
At end of the year		(14)	(14)
Net carrying amount at end of the year		8	8

10.3 FINANCIAL ASSETS

10.3.1 ACCOUNTING POLICIES RELATING TO FINANCIAL ASSETS

The accounting policy for financial assets is disclosed in note 16.1 of financial instruments.

10.3.2 FINANCIAL ASSETS COMPOSITION

		Group		Company	
At 31 December	Note	2020 Rm	2019 Rm	2020 Rm	2019 Rm
Non-current					
Financial assets at FVOCI		222	235		
Equity: unlisted – Chifeng		222	235		
Financial assets at FVPL		1 247	2 039	30	29
Debt: unlisted – environmental rehabilitation funds		1 247	2 039	30	29
Financial assets at amortised cost		672	400	1 376	7 124
ESD loans[1]		79	124	79	124
Interest-bearing loans to subsidiaries[2]	17.5			1 297	7 000
Other financial assets at amortised cost		593	276		
– Environmental rehabilitation funds		386			
– Deferred pricing receivable[3]		212	279		
– Impairment allowances		(5)	(3)		
Total non-current financial assets	16.3	2 141	2 674	1 406	7 153
Current					
Financial assets at amortised cost		169	272	11 386	4 539
Loans to associates and JVs			133		
– Associates: Tumelo[4]			133		
ESD loans[1]		105	82	105	82
Interest-bearing loans to subsidiaries[2]	17.5			6 041	60
Non-interest-bearing loans to subsidiaries[5]	17.5			353	359
Treasury facilities with subsidiaries at amortised cost[6]	17.5			4 887	4 038
Other financial assets at amortised cost		64	57		
– Deferred pricing receivable[3]		64	57		
– Deferred consideration receivable[7]		1	1		
– Employee receivables		4	5	4	5
– Impairment allowances		(5)	(6)	(4)	(5)
Total current financial assets	16.3	169	272	11 386	4 539
Total financial assets		2 310	2 946	12 792	11 692

[1] *Interest-free loans advanced to successful applicants in terms of the Exxaro ESD programme.*
[2] *Includes back-to-back loans as well as other interest-bearing loans. Refer note 17.5 for details of the terms and conditions.*
[3] *Relates to a deferred pricing adjustment which arose during 2017. The amount receivable will be settled over seven years (ending 2024) and bears interest at Prime Rate less 2%.*
[4] *Loan granted to Tumelo. The loan is interest-free, unsecured and repayable on demand, unless otherwise agreed by the parties. On 31 December 2020 the loan was classified as a non-current asset held-for-sale.*
[5] *These loans are interest-free, unsecured and repayable on demand.*
[6] *Treasury facilities with subsidiaries have no repayments terms and are repayable on demand. Interest is charged at money market rates.*
[7] *Relates to deferred consideration receivable which arose on the disposal of mineral properties.*

10.4 OTHER ASSETS

10.4.1 OTHER ASSETS COMPOSITION

At 31 December	Group 2020 Rm	Group (Re-presented)[1] 2019 Rm	Company 2020 Rm	Company (Re-presented)[1] 2019 Rm
Non-current				
Reimbursements[2]	373	1 648		
Indemnification asset: Total S.A.[3]		1 410		
Biological assets	28	24		
Lease receivables[4]	53	61		
Deferred costs	2			
Other	74	51	1	1
Total non-current other assets	530	3 194	1	1
Current				
Indemnification asset: Tronox Holdings plc[5]		65		65
VAT	504	501		
Royalties	127	114		
Prepayments	144	120	5	10
Current tax receivables	198	265	8	
Lease receivables[4]	6	6		
Other	41	33	1	9
Total current other assets	1 020	1 104	14	84
Total other assets	1 550	4 298	15	85

[1] *2019 has been re-presented as a result of the following reclassifications:*
- *Intangible assets have been disaggregated from other assets due to it becoming material for 2020 in light of the business combination*
- *Lease receivables have been aggregated as part of other assets so as to remove immaterial items from the face of the statement of financial position to provide a better presentation of assets for the users.*

[2] *Amounts recoverable from Eskom in respect of rehabilitation, environmental expenditure and retirement employee obligations of the Matla operation at the end of LoM (2019: included Matla and Arnot operations).*

[3] *Upon the acquisition of ECC in 2015, Total S.A. indemnified Exxaro from any obligations relating to EMJV (refer note 8.4). The indemnification lapsed in August 2020.*

[4] *The lease relates to the upgrade of the Zeeland Water Treatment Works (in Lephalale, South Africa), of which Exxaro funds the capital for a period of 15 years. The municipality's share of the capital expenditure will be recovered through fixed monthly instalments over this period. The minimum lease instalments are payable monthly with no escalation and calculated at a rate of 13% per annum.*

[5] *The indemnification asset arose on the repurchase of the Tronox Holdings plc ordinary shares as Tronox Holdings plc indemnified Exxaro from any tax obligation, which arose on the disposal of any of the Tronox Holdings plc ordinary shares held by Exxaro subsequent to the redomicile.*