CHAPTER 9:
ASSOCIATES AND JOINT ARRANGEMENTS

CHAPTER 9:
Associates and joint arrangements

9.1 ACCOUNTING POLICIES RELATING TO INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

9.1.1 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Associates are those entities in which the group has significant influence, but not control nor joint control, over the financial and operating policies. Significant influence is presumed to exist when Exxaro holds between 20% and 50% of the voting rights of another entity, however, the determination of whether significant influence exists is also subject to the consideration of other facts and circumstances, which are a matter of judgement.

Joint arrangements are arrangements in which the group has joint control, established by contracts requiring unanimous consent for decisions on the activities that significantly affect the arrangements' returns. Joint arrangements are classified and accounted for as follows:
- Joint operation: when the group has rights to the assets and obligations for the liabilities relating to an arrangement, each of its assets and liabilities, including its share of those held or incurred jointly, are proportionately accounted for in relation to the joint operation
- JV: when the group has rights only to the net assets of the arrangements, its interest is accounted for using the equity method, similar to the accounting treatment for associates.

The company carries its investments in associates and joint ventures at cost less accumulated impairment losses.

For group, the cost of investments in associates and JVs is the fair value at the date of acquisition or the fair value at the date of loss of control of a former subsidiary where the group retains an associate or JV interest in the former subsidiary.

For the group, investments in associates and JVs are accounted for using the equity method and are recognised initially at cost. The cost of the investments includes transaction costs.

The group financial statements include Exxaro's share of the profit or loss and OCI of equity-accounted investees, after adjustments to align the accounting policies with those of Exxaro, from the date that significant influence or joint control commences until it ceases.

The cumulative post-acquisition movements in profit or loss and OCI are adjusted against the carrying amount of the investment in the group financial statements.

The group's interest in associates and JVs is carried at an amount that reflects its share of the net assets and the goodwill on acquisition.

Dilution gains and losses arising on investments in associates are recognised in profit or loss.

Unrealised gains from downstream transactions with equity-accounted investees are eliminated against the investment to the extent of Exxaro's interest in the investee. Unrealised gains from upstream transactions with equity-accounted investees are eliminated against related assets to the extent of Exxaro's interest in the investee.

Dividend income is recognised when the right to receive payment is established.

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

In applying IAS 28 *Investments in Associates*, management has assessed the level of influence that the group has. The following judgements have been applied in relation to the assessment of significant influence:
- RBCT: management concluded that significant influence exists on its 10.26% (2019: 10.36%) effective interest in RBCT as a result of Exxaro's representation on the board of directors of RBCT
- Tronox Holdings plc: management concluded that significant influence exists on its 10.26% (2019: 10.38%) interest in Tronox Holdings plc as a result of Exxaro's right to have representation on the board of directors of Tronox Holdings plc. The investment has been classified as a non-current asset held-for-sale (refer note 8.4).

In applying IFRS 11 *Joint Arrangements*, management assessed the level of influence that the group has on its investments in joint arrangements and subsequently classified the investment in Mafube as a JV due to the fact that unanimous consent is required for board decisions.

9.3 INCOME FROM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	Share of income/(loss) of equity-accounted investments		Dividend income from equity-accounted investments	
For the year ended 31 December	2020 Rm	(Re-presented)[1] 2019 Rm	2020 Rm	2019 Rm
Associates	6 331	4 520	3 119	4 101
SIOC	6 125	4 413	3 119	4 051
Tronox SA	207	234		
Tronox UK[2]				50
RBCT	5	1		
Black Mountain	122	52		
Insect Technology	(109)	(148)		
LightApp	(18)	(28)		
Curapipe	(1)	(4)		
Joint ventures	80	173	144	95
Mafube	67	127		
Cennergi[3]	13	46	144	95
Income from investments in associates and JVs	6 411	4 693	3 263	4 196

[1] *Refer note 18.3.*
[2] *The income from Tronox UK, for the company, comprises a dividend distribution in 2019.*
[3] *Equity-accounted income up to 31 March 2020.*

9.4 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

At 31 December	Note	Nature of business[1]	Country of incorporation	Percentage holding 2020 %	Percentage holding 2019 %
Unlisted					
Associates					
SIOC[4]		M	RSA	20.62	20.62
Tronox SA		M	RSA	26.00	26.00
RBCT		T	RSA	10.26	10.36
Black Mountain[3; 5]		M	RSA	26.00	26.00
Insect Technology[6]	8.5	WC	UK	25.85	25.86
LightApp		EN	Israel	28.59	28.59
Curapipe[7]	8.5	R&D	Israel		15.00
Tumelo[8]		M	RSA		49.00
GAM[9]	8.5	EN	RSA	22.00	22.00
Joint ventures					
Mafube		M	RSA	50.00	50.00
Cennergi[10]	8.3	EN	RSA		50.00
Total equity-accounted investments per statement of financial position	9.5				
Unincorporated joint operations					
Moranbah coal project		M	AUS	50.00	50.00
Refer below for other balances relating to associates and JVs					
Included in non-current assets held-for-sale:	8.4				
Associates					
Listed: Tronox Holdings plc		M	UK	10.26	10.38
Unlisted: Tumelo[5]		M	RSA	49.00	
Loans to associates: Tumelo					
– Current gross					
– Current impairment allowances					
Included in financial assets:	10.2.2				
Loans to associates: Tumelo					
– Current gross					
– Current impairment allowances					

[1] *M — Mining, EN — Energy, T — Export terminal, R&D — Research and development, WC — Waste conversion.*
[2] *Fair value represents the directors' valuation at the reporting date.*
[3] *Refer note 18.3.*
[4] *The fair value of SIOC is determined by applying an adjusted equity valuation technique, based on the share price of KIO on 31 December 2020 of R622.81 per share (31 December 2019: R417.05 per share), adjusted for a liquidity discount rate of 20% (2019: 20%).*
[5] *Black Mountain's financial year end is 31 March and is therefore not co-terminous with that of Exxaro. Financial information has been obtained from published information or management accounts as appropriate.*
[6] *On 31 December 2020, the investment in Insect Technology was impaired to a carrying value of nil. Refer note 8.5.*
[7] *The investment in Curapipe was sold on 9 November 2020 under a deferred compensation offer comprising a cash component of US$1 and a contingent consideration receivable component. The contingent consideration receivable is dependent on the occurrence of certain transactions. At 31 December 2020, the occurrence of these transactions was considered not to be probable, resulting in contingent consideration receivable of nil.*
[8] *The investment in Tumelo was classified as a non-current asset held-for-sale on 31 December 2020.*
[9] *The investment in GAM was fully impaired in 2019.*
[10] *The additional 50% interest in Cennergi was acquired on 1 April 2020, from which date the subsidiaries have been consolidated.*

Group		Company		Fair value[2]		Fair value hierarchy level	Valuation technique
2020 Rm	(Re-presented)[3] 2019 Rm	2020 Rm	2019 Rm	2020 Rm	2019 Rm		
18 594	15 928	1 324	2 039				
12 820	9 835			43 358	29 033	2	Adjusted equity value
2 628	2 472	1 181	1 181				
2 053	2 067						
995	872						
	534		674				
98	111	143	143				
	37		41				
1 412	1 574		696				
1 412	1 335						
	239		696				
20 006	17 502	1 324	2 735				
1 880	1 741	3 133	2 377				
1 741	1 741	3 133	2 377				
1 741	1 741	3 133	2 377				
139							
170							
(31)							
	133						
	133						
	182						
	(49)						

Restrictions

There are no significant restrictions on the ability of associates or JVs to transfer funds to Exxaro in the form of cash dividends, or to repay loans or advances made by Exxaro.

Risks

Refer note 10.1.4 for details with regard to capital commitments relating to associates and JVs.

Refer note 16.3.4 for details with regard to loan commitments relating to associates and JVs.

Refer note 13.4 for details with regard to contingent liabilities relating to associates and JVs.

9.5 MOVEMENT ANALYSIS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

		Group					
		Associates		Joint ventures		Total equity-accounted investments	
At 31 December	Note	2020 Rm	(Re-presented)[1] 2019 Rm	2020 Rm	2019 Rm	2020 Rm	(Re-presented)[1] 2019 Rm
Gross carrying amount							
At beginning of the year		15 986	15 477	1 574	1 569	17 560	17 046
Share of equity-accounted investments' adjustment from the adoption of IFRS 16 *Leases*			(11)				(11)
Balance at 1 January		15 986	15 466	1 574	1 569	17 560	17 035
Interests acquired[2]			72				72
Interests disposed of	8.3			(181)		(181)	
Interests diluted		(20)	(42)			(20)	(42)
Loss of control of subsidiary			(92)				(92)
Net share of results		6 332	4 521	89	145	6 421	4 666
– Share of income	9.3	6 331	4 520	80	173	6 411	4 693
– Elimination of intergroup profits		1	1	9	(28)	10	(27)
Dividends received		(3 119)	(4 051)	(144)	(95)	(3 263)	(4 146)
Share of movement in reserves		(23)	112	74	(45)	51	67
At end of the year		19 156	15 986	1 412	1 574	20 568	17 560
Accumulated impairment							
At beginning of the year		(58)				(58)	
Impairment charge	8.5	(504)	(58)			(504)	(58)
At end of the year		(562)	(58)			(562)	(58)
Net carrying amount at end of the year		18 594	15 928	1 412	1 574	20 006	17 502

[1] *Refer note 18.3.*
[2] *Relates to an additional equity interest of 4.47% acquired in Curapipe (R14 million) and a 22% equity interest in GAM which was acquired in exchange for the settlement of the Lebonix debt (R58 million).*

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES

The summarised financial information set out below relates to the associates and JVs that are material to the group, and represents 100% of the entity's financial performance and position, as adjusted to reflect adjustments made by Exxaro when using the equity method.

	Associates				Joint venture
	Tronox SA Rm	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
Statements of comprehensive income					
For the year ended 31 December 2020					
Revenue	8 988	80 104	1 615	5 704	2 127
Operating expenses	(7 693)	(39 354)	(1 402)	(4 878)	(1 845)
Net operating profit	1 295	40 750	213	826	282
Finance income	39	612		125	(9)
Finance costs	(216)	(288)	(174)	(297)	(43)
Profit before tax	1 118	41 074	39	654	230
Income tax (expense)/benefit	(324)	(11 287)	8	(184)	(76)
Profit for the year	794	29 787	47	470	154
Other comprehensive (loss)/income	(193)	(110)	(11)	3	
Total comprehensive income for the year	601	29 677	36	473	154
Dividends paid to Exxaro		3 119			
Statements of financial position					
At 31 December 2020					
Non-current assets	11 862	45 681	22 947	7 777	3 700
Current assets	7 175	37 005	445	1 417	930
Total assets	19 037	82 686	23 392	9 194	4 630
Equity and liabilities					
Total equity	10 109	62 182	20 014	3 827	2 824
Non-current liabilities	3 971	12 921	2 254	4 239	1 141
Current liabilities	4 957	7 583	1 124	1 128	665
Total equity and liabilities	19 037	82 686	23 392	9 194	4 630
Included above in JVs:					
Cash and cash equivalents					401
Depreciation and amortisation					255

CHAPTER 9:
Associates and joint arrangements continued

9.6 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES AND JOINT VENTURES continued

	Associates				Joint venture
	Tronox SA Rm	**SIOC Rm**	**RBCT Rm**	**Black Mountain Rm**	**Mafube Rm**
Statements of comprehensive income					
For the year ended 31 December 2019					
Revenue	9 035	64 285	1 659	3 497	2 031
Operating expenses	(7 441)	(35 284)	(1 372)	(2 966)	(1 732)
Net operating profit	1 594	29 001	287	531	299
Finance income	45	769		40	12
Finance costs	(378)	(406)	(320)	(285)	(40)
Profit/(loss) before tax	1 261	29 364	(33)	286	271
Income tax (expense)/benefit	(363)	(7 908)	42	(85)	(73)
Profit for the year	898	21 456	9	201	198
Other comprehensive income/(loss)	207	(87)	6	4	
Total comprehensive income for the year	1 105	21 369	15	205	198
Dividends paid to Exxaro		4 051			
Statements of financial position					
At 31 December 2019					
Non-current assets	11 766	40 678	23 678	7 571	3 506
Current assets	5 734	26 445	373	1 624	677
Total assets	17 500	67 123	24 051	9 195	4 183
Equity and liabilities					
Total equity	9 509	47 710	19 952	3 353	2 671
Non-current liabilities	4 989	12 595	2 982	4 505	1 170
Current liabilities	3 002	6 818	1 117	1 337	342
Total equity and liabilities	17 500	67 123	24 051	9 195	4 183
Included above in JVs:					
Cash and cash equivalents					165
Depreciation and amortisation					251

9.7 RECONCILIATION OF CARRYING AMOUNTS OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Set out below is a reconciliation of the equity attributable to owners of the parent (closing net assets) in note 9.6, to the carrying value of the equity-accounted investment.

	Associates				Joint venture
Group	Tronox SA Rm	SIOC Rm	RBCT Rm	Black Mountain Rm	Mafube Rm
At 31 December 2020					
Closing net assets	10 109	62 182	20 014	3 827	2 824
Interest in equity-accounted investment (%)	26.00	20.62	10.26	26.00	50.00
Interest in equity-accounted investment	2 628	12 822	2 053	995	1 412
Unrealised profit in closing balances		(2)			
Carrying value	2 628	12 820	2 053	995	1 412
At 31 December 2019					
Closing net assets	9 509	47 710	19 952	3 353	2 671
Interest in equity-accounted investment (%)	26.00	20.62	10.36	26.00	50.00
Interest in equity-accounted investment	2 472	9 838	2 067	872	1 335
Unrealised profit in closing balances		(3)			
Carrying value	2 472	9 835	2 067	872	1 335