

CONSOLIDATED BALANCE SHEET at 30 June 2007

| | Note | 2007 R'000 | 2006 R'000 |
|--------------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 2 | 2 938 606 | 1 960 665 |
| Investment properties | 3 | 61 425 | 59 077 |
| Intangible assets | 4 | 3 288 | 3 468 |
| Available-for-sale investments | 5 | 236 119 | 169 750 |
| | | 3 239 438 | 2 192 960 |
| Current assets | | | |
| Inventories | 6 | 976 047 | 896 152 |
| Trade and other receivables | 7 | 798 519 | 648 021 |
| Cash deposits held by environmental trusts | | 29 097 | 22 941 |
| Cash resources | 24.6 | 280 360 | 148 894 |
| | | 2 084 023 | 1 716 008 |
| Total assets | | 5 323 461 | 3 908 968 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Share capital | 8 | 700 | 700 |
| Share premium | 9 | 30 358 | 30 358 |
| Treasury shares | 10 | (86 262) | (78 526) |
| Retained earnings | | 3 115 510 | 2 421 878 |
| Other reserves | 11 | 170 401 | 100 906 |
| | | 3 230 707 | 2 475 316 |
| Minority shareholders' interest | | 48 673 | 51 114 |
| Total equity | | 3 279 380 | 2 526 430 |
| Non-current liabilities | | | |
| Long-term borrowings | 12 | 75 212 | 58 033 |
| Deferred taxation | 13 | 620 597 | 544 844 |
| Long-term provisions | 14 | 81 743 | 64 279 |
| | | 777 552 | 667 156 |
| Current liabilities | | | |
| Trade and other payables | 15 | 608 106 | 385 077 |
| Taxation | | 89 076 | 56 609 |
| Short-term provisions and accruals | 16 | 24 577 | 20 242 |
| Overdrafts and short-term borrowings | 17 | 544 770 | 253 454 |
| | | 1 266 529 | 715 382 |
| Total equity and liabilities | | 5 323 461 | 3 908 968 |

CONSOLIDATED INCOME STATEMENT for the year ended 30 June 2007

| | Note | 2007 R'000 | 2006 R'000 |
|------------------------------------------------------|------|------------------|---------------|
| Revenue | 18 | 4 442 036 | 3 494 477 |
| Turnover | | 4 293 036 | 3 382 587 |
| Cost of sales | | 3 174 247 | 2 783 365 |
| Gross profit | | 1 118 789 | 599 222 |
| Profit on disposal of available-for-sale investments | | 43 025 | 145 777 |
| Net technical fees and commissions on sales | | 111 399 | 78 742 |
| Other income | | 121 714 | 139 257 |
| Other expenses | | (195 017) | (204 571) |
| Discount on BEE transaction | | - | (35 752) |
| Finance costs | 19 | (27 471) | (15 284) |
| Profit before taxation and State's share of profits | 20 | 1 172 439 | 707 391 |
| Taxation and State's share of profits | 21 | 369 084 | 227 569 |
| Profit for the year | | 803 355 | 479 822 |
| Attributable to: | | | |
| Shareholders of the holding company | | 774 704 | 457 384 |
| Minority shareholders | | 28 651 | 22 438 |
| As above | | 803 355 | 479 822 |
| Earnings per share (cents) | 22 | 2 863 | 1 652 |
| Headline earnings per share (cents) | 22 | 2 720 | 1 170 |
| Dividends per share declared during the year (cents) | 23 | 300 | 230 |

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2007

| | Note | 2007 R'000 | 2006 R'000 |
|-------------------------------------------------------------------------|------|--------------------|---------------|
| Cash retained from operating activities | | 974 081 | 447 863 |
| Net cash generated by operations | | 1 361 723 | 612 618 |
| Cash generated by operations | 24.1 | 1 384 874 | 792 472 |
| Dividend income | 24.2 | 5 034 | 3 860 |
| Movements in working capital | 24.3 | (28 185) | (183 714) |
| Interest income | | 20 676 | 18 839 |
| Finance costs | 19 | (27 471) | (15 284) |
| Taxation paid | 24.4 | (268 431) | (81 825) |
| Dividends paid to shareholders of the holding company | 24.5 | (81 065) | (64 376) |
| Dividends paid to minority shareholders | | (31 351) | (22 109) |
| Cash utilised in investing activities | | (1 151 110) | (683 605) |
| Acquisition of shares in the holding company by a subsidiary company | | (7 736) | (78 526) |
| Additions to property, plant and equipment | | | |
| – to maintain operations | | (90 143) | (312 196) |
| – to expand operations | | (1 107 566) | (397 912) |
| Arising on the acquisition of additional shares in joint venture entity | | – | (120 514) |
| Additions to investment properties | | (2 375) | (6 031) |
| Net movement in environmental rehabilitation trust funds | | (6 156) | (5 448) |
| Proceeds on disposal of | | | |
| – property, plant and equipment | | 9 419 | 22 393 |
| – available-for-sale investments | | 53 447 | 214 629 |
| Cash generated by financing activities | | 308 495 | 109 070 |
| Increase in long-term borrowings | | 21 682 | 571 |
| Increase in overdrafts and short-term borrowings | | 286 813 | 24 541 |
| Repurchase of ordinary share capital | | – | (162 749) |
| Net proceeds from the issue of ordinary share capital | | – | 193 107 |
| Issue of preference shares by a subsidiary company | | – | 53 600 |
| Cash resources | | | |
| – Increase/(decrease) for the year | | 131 466 | (126 672) |
| – at beginning of year | | 148 894 | 275 566 |
| – at end of year | 24.6 | 280 360 | 148 894 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2007

| | Note | 2007 R'000 | 2006 R'000 |
|-----------------------------------------------------------------------------------------------------------|------|---------------|---------------|
| Share capital | | | |
| Balance at beginning of year | | 700 | 700 |
| Repurchase of shares | | - | (55) |
| Issue of shares | | - | 55 |
| Balance at end of year | 8 | 700 | 700 |
| Share premium | | | |
| Balance at beginning of year | | 30 358 | - |
| Utilised in repurchase of shares | | - | (162 694) |
| Arising on issue of shares | | - | 196 872 |
| Share issue expenses on the above issue | | - | (3 820) |
| Balance at end of year | 9 | 30 358 | 30 358 |
| Treasury shares | | | |
| Balance at beginning of year | | (78 526) | - |
| Treasury shares repurchased during the year | | (7 736) | (78 526) |
| | 10 | (86 262) | (78 526) |
| Retained earnings | | | |
| Balance at beginning of year | | 2 421 878 | 1 993 142 |
| Profit for the year | | 774 704 | 457 384 |
| Discount on BEE transaction | | - | 35 752 |
| Ordinary dividends declared during the year | | (81 072) | (64 400) |
| Final dividend No. 99 of 150 cents (2006: 150 cents) per share – declared on 30 August 2006 | | (42 000) | (42 000) |
| Interim dividend No. 100 of 150 cents (2006: 80 cents) per share – declared on 19 February 2007 | | (42 000) | (22 400) |
| Less: Dividends attributable to treasury shares | | 2 928 | - |
| Balance at end of year | | 3 115 510 | 2 421 878 |
| Other reserves | | | |
| Balance at beginning of year | | 100 906 | 98 879 |
| | | 69 495 | 2 027 |
| Net increase in the market value of available-for-sale investments | | 76 791 | 6 508 |
| Deferred capital gains taxation provided on revaluation of available-for-sale investments to market value | | (7 566) | (5 388) |
| Foreign currency translation reserve arising on consolidation | | 270 | 907 |
| Balance at end of year | 11 | 170 401 | 100 906 |
| Per balance sheet | | 3 230 707 | 2 475 316 |
| Statement of recognised income and expense for the year | | | |
| Profit for the year (as above) | | 774 704 | 457 384 |
| Items recognised directly in equity | | 69 495 | 2 027 |
| Gains on available-for-sale investments taken directly to equity | | 100 713 | 127 609 |
| Transfer from equity to profit on sale of available-for-sale investments | | (31 218) | (125 582) |
| Total recognised income and expense for the year | | 844 199 | 459 411 |

I. ACCOUNTING POLICIES**I.1 Basis of preparation**

The financial statements of the group and company are prepared on the historical cost basis, modified by the revaluation of certain financial instruments to fair value. Details of the accounting policies used in the preparation of the financial statements are set out below which are consistent with those applied in the previous year except as stated under the heading "Changes in accounting policies" below.

Statement of compliance

The consolidated financial statements of the group and company have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and interpretations of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the group has adopted the following standards or changes to standards in response to changes in IFRS:

| Standard | Revised/issued | Effective date | Description | Impact |
|----------|----------------|-----------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IAS 39 | April 2005 | 1 January 2006 | Financial Instruments – Recognition and Measurement | This standard provides guidance on, <i>inter alia</i> , hedging the foreign currency risks of a forecast intragroup transaction, adjustments to the fair value of financial instruments after initial recognition and the issue of financial guarantees. The adoption of this accounting policy has no impact on the current or prior year's financial statements. |
| IFRS 6 | December 2004 | 1 January 2006 | Exploration for and Evaluation of Mineral Resources | This standard provides guidance on accounting for exploration expenditure, including the recognition of exploration and evaluation assets. The adoption of this accounting policy has no impact on the current or prior year's financial statements. |
| IFRIC 9 | March 2006 | 1 June 2006 | Reassessment of Embedded Derivatives | This interpretation clarifies certain aspects of the treatment of embedded derivatives. The adoption of this accounting policy has no impact on the current or prior year's financial statements. |
| IFRIC 10 | July 2006 | 1 November 2006 | Interim Reporting and Impairment | This interpretation provides clarification on impairments recognised in interim reporting periods in relation to goodwill, investments in equity instruments or financial assets carried at cost. The adoption of this accounting policy has no impact on the current or prior year's financial statements. |

IFRS and IFRIC interpretations not yet effective

The group has not applied the following IFRS and IFRIC interpretations which have been issued but are not yet effective:

| Standard or interpretation | Name | Effective date | Date issued | Effect |
|----------------------------|------------------------------------------------|----------------|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 7 | Financial Instruments: Disclosures | 1 January 2007 | August 2005 | IFRS 7 adds improvements to the disclosure framework for risks arising from financial instruments. In essence the statement revises and enhances the disclosures previously outlined in IAS 30 and IAS 32. This statement will require both quantitative and qualitative disclosure concerning the group's financial instruments. |
| IFRS 8 | Operating Segments | 1 January 2009 | November 2006 | IFRS 8 sets out requirements for disclosure of information about an entity's operating segments, the entity's products and services, the geographical areas in which it operates, and its major customers. This standard may require additional disclosures regarding segmental information. |
| IAS 1 | IAS 1 Amendment – <i>Capital Disclosures</i> | 1 January 2007 | August 2005 | This amendment to IAS 1 deals with capital disclosure requirements as to what the entity regards as capital and objectives, policies and processes for managing capital as well as compliance with capital requirements. Adoption of this statement will not have any effect on the financial position of the group. However, it will give rise to additional disclosures. |
| IAS 23 | Borrowing Costs | 1 January 2009 | March 2007 | IAS 23 (revised) supersedes the previous IAS 23. The main change from the previous version is the removal of the option to immediately recognise, as an expense, borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The group has already adopted the policy of capitalising borrowing costs. |
| IFRIC 11 | IFRS 2 – Group and Treasury Share Transactions | 1 March 2007 | November 2006 | This interpretation addresses whether certain transactions should be accounted for as cash or equity settled and with share-based payments that involve two or more entities in the same group. The group expects that it will have no impact on the financial statements once implemented. |
| IFRIC 12 | Service Concession Arrangements | 1 January 2008 | November 2006 | This interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. The group expects that it will have no impact on the financial statements once implemented. |

1.1 Basis of preparation (continued)**Changes in accounting policies (continued)**

| Standard or interpretation | Name | Effective date | Date issued | Effect |
|----------------------------|---------------------------------------------------------------------------------------------------|----------------|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRIC 13 | Customer Loyalty Programmes | 1 July 2008 | June 2007 | This interpretation deals with the awarding of customer award credits and the accounting for such awards in terms of cost and revenue recognition. The group expects that it will have no impact on the financial statements once implemented. |
| IFRIC 14 | IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction | 1 January 2008 | June 2007 | This interpretation provides additional guidance on IAS 39 and is expected to have no effect on the financial statements once implemented. |

1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its joint venture and subsidiary companies, which are prepared for the same reporting year as the holding company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intragroup transactions, have been eliminated.

Subsidiary companies

Investments in subsidiaries are accounted for in the company at cost less impairments. Subsidiary companies are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. All intragroup transactions and balances, (including profits and losses that arise between group companies) are eliminated on consolidation.

Minority interests represent the portion of profit or loss and net assets and liabilities not held by the group which are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Joint ventures

Investments in jointly controlled entities are accounted for using the proportionate consolidation method. Entities are regarded as joint ventures where the group, in terms of contractual agreements, has joint control over the financial and operating policy decisions of the enterprise. The group's attributable share of the assets, liabilities, income and expenses of such jointly controlled entities is incorporated on a line-by-line basis in the group financial statements and all intragroup transactions and balances are eliminated on consolidation. The joint venture is proportionately consolidated until the date at which the group ceases to have joint control over the joint venture.

1.3 Significant accounting judgements and estimates**Judgements**

In the process of applying the group's accounting policies, management has made the following judgements, apart from those involving estimations, which could have a significant effect on the amounts recognised in the financial statements:

Consolidation of special purpose vehicles

Management is of the opinion that the Bokamoso Trust, a broad-based community trust, is still controlled by Assore, as suitable beneficiaries which comply with the broad-based requirement set out in the Trust Deed have yet to be identified. Accordingly the trust has been consolidated in the group financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to

make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2007 was R1,4 million (2006: R1,4 million). The goodwill relates to the acquisition of a foreign subsidiary and, based on current circumstances, no impairment is necessary.

Post-retirement medical aid liability

Independent actuaries determine the quantum of the provision and the related assumptions are disclosed in note 32.

Provisions for environmental rehabilitation

The group provides for the estimated costs of rehabilitation which include both restoration and associated decommissioning of assets. An independent environmental liability assessment is conducted on an annual basis to assess the adequacy of the environmental rehabilitation provisions. Significant risk of material adjustment exists due to the inherent uncertainty surrounding the future life of the mines, the forward-looking nature of the provisions and the uncertainty regarding the underlying assumptions. The inflation rates applied to estimated costs used in the discounted cash flow calculation is 10% and the nominal discount rate is 8%.

1.4 Property, plant and equipment and depreciation

Plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of such plant and equipment when that cost is incurred if the recognition criteria are met. The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when future economic benefits are no longer expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

The asset's residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

The costs to add to, replace part of, or service an item following a major inspection is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of the various types of assets is determined on the following bases:

Mineral and prospecting rights

Mineral rights, which are being depleted, are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. The maximum rate of depletion of any mineral right is 30 years. Mineral rights, which are not being depleted, are not amortised. Mineral rights, which have no commercial value, are written off in full. The excess purchase price over the fair value paid for mineral rights is recognised as being an amount paid for the acquisition of ore reserves. This amount is capitalised and amortised over the period during which future economic benefits are expected to be obtained from these mineral rights, up to a maximum period of 30 years.

Land, buildings and mine, township and industrial properties

Land is not depreciated. Owner occupied properties, which are designed for a specific use are only depreciated if carrying value exceed estimated residual values in which case they are depreciated to estimated residual value on a straight-line basis over their estimated useful lives. The annual depreciation rates used vary up to a maximum of 30 years.

Mine properties, including houses, schools and administration blocks, are depreciated to estimated residual values at the lesser of life of mine and expected useful life of the asset on the straight-line basis.

Plant and equipment

Mining plant and equipment is depreciated over the lesser of its estimated useful life, estimated at between 5 and 19 years, and the units-of-production method based on estimated proven and probable ore reserves. Where ore reserves are not determinable, due to their scattered nature, the straight-line method of depreciation is applied.

Industrial plant and equipment is depreciated on the straight-line basis, over its useful life, up to a maximum of 25 years.

1.4 Property, plant and equipment and depreciation (continued)*Prospecting, exploration, mine development and decommissioning*

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine, or its current production, are capitalised and depreciated over a maximum period of 30 years using the straight-line method of depreciation. Development costs to maintain production are expensed as incurred.

Exploration expenditure comprises expenditure incurred and advances made in respect of exploratory ventures, research programmes and other related projects. The costs of exploration programmes are expensed in the year in which they are incurred, except for expenditure on specific properties which have indicated the presence of a mineral resource with the potential of being developed into a mine, in which case the expenditure is capitalised and depreciated in the same way as mining assets (refer mineral and prospecting rights above). Where it is subsequently found that no potential exists to develop a mine, the capitalised costs are written off in full.

Mine development and decommissioning assets are depreciated using the lesser of its estimated useful life or the units of production method based on proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in future from known mineral deposits. These reserves are reassessed annually. Where the reserves are not determinable due to their scattered nature, the straight-line method of amortisation is applied based on the estimated life of the mine. The maximum period of amortisation using these methods is 30 years.

Vehicles, furniture and office equipment

Vehicles, furniture and office equipment are depreciated on the straight-line basis using the following useful lives:

| | |
|------------------|--------------------------|
| Vehicles | – between 5 and 9 years |
| Furniture | – between 4 and 18 years |
| Office equipment | – between 2 and 11 years |

1.5 Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Leases of fixed and tangible assets where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance leases are capitalised as property, plant and equipment at fair value of the leased assets at commencement of the lease, or, if lower, the present value of the minimum lease payments and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against operating profit, and the capital repayment, which reduces the liability to the lessor. These assets are depreciated on the same basis as the fixed assets owned by the group.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

1.6 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are reflected at cost less accumulated depreciation and impairment losses. Investment properties are only depreciated if their carrying value exceed estimated residual value in which case they are depreciated to estimated residual value on a straight-line basis over their estimated useful lives.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

1.7 Intangible assets

Intangible assets represent proprietary technical information, and goodwill. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life on a straight-line basis up to a maximum of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities fairly valued, at date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired based on future income streams of the cash-generating unit.

1.8 Capitalisation of borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or development of a qualifying asset, which requires a substantial period of time to be prepared for its intended use, are capitalised until such time as the asset concerned is commissioned. Thereafter, these costs together with other borrowing costs are expensed. Borrowing costs include discounts or premiums relating to borrowings.

1.9 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.10 Environmental rehabilitation expenditure

The estimated cost of final rehabilitation, comprising the liability for decommissioning of assets and restoration, is based on current legal requirements and existing technology and is reassessed annually.

Decommissioning costs

The present value of estimated future decommissioning obligations at the end of the operating life of a mine is included in long-term provisions. The related decommissioning asset is recognised in property, plant and equipment when the decommissioning provision gives access to future economic benefits. The unwinding of the obligation is included in the income statement.

The estimated cost of decommissioning obligations is reviewed annually and adjusted for legal, technological and environmental circumstances that affect the present value of the obligation for decommissioning. Decommissioning costs capitalised are amortised using the lesser of its estimated useful life or units of production method based on estimated proven and probable ore reserves.

Restoration costs

The estimated cost of restoration at the end of the operating life of a mine is included in long-term provisions and charged to the income statement based on the units-of-production mined during the current year, as a proportion of the estimated total units which will be produced over the life of the mine. Cost estimates are not reduced by the potential proceeds from the sale of assets.

1.10 Environmental rehabilitation expenditure (continued)**Ongoing rehabilitation costs**

Expenditure on ongoing rehabilitation is charged to the income statement as incurred.

Environmental rehabilitation trust funds

The group makes annual contributions to the environmental rehabilitation trust funds, which have been created to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the lives of the group's mines. Annual contributions are determined in accordance with statutory requirements, on the basis of the estimated environmental obligation divided by the remaining life of a mine. Income earned on monies paid to the trust is accounted for as net investment income. The environmental trust funds are consolidated.

1.11 Financial instruments

The group's financial instruments consist primarily of cash on hand, balances with banks, deposits on call, money market instruments, derivative instruments, trade and other receivables, trade payables, borrowings and investments other than those in subsidiary or joint venture companies. The initial recognition of financial instruments is at fair value and subsequent recognition is at fair value or amortised cost. Recognition methods adopted are disclosed in the policy statements for each item.

Available-for-sale investments

All investments are initially recognised at fair value, including acquisition charges associated with the investment. After initial recognition, investments, other than investments in jointly controlled entities and subsidiary companies, are classified as available-for-sale investments and are disclosed at fair value, which equates with market value.

Gains and losses on subsequent measurement are recognised in equity until the investment is disposed of, or its original cost is considered to be impaired, at which time the cumulative gain previously reported in equity and the impairment of the cost, where considered permanent, is taken to the income statement.

The fair value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis.

Trade and other receivables

Trade and other receivables, which generally have 30 to 120 days' terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the group will not be able to collect the debts. Bad debts are written off when identified.

Trade and other payables

Trade and other payables are stated at amortised cost, being the initial recognised obligation less payments made and any other adjustments.

Treasury shares

Own equity instruments which are re-acquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the group's own equity instruments.

1.12 Derivative financial instruments and hedging

In the event that the group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The group does not apply hedge accounting and any gains or losses arising from changes in fair value on derivatives are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

1.13 Derecognition of financial assets and liabilities**Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

1.14 Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired, which is determined on the following bases:

Assets carried at amortised cost

If there is objective evidence that an impairment loss on trade and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is either reduced directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

1.15 Foreign currency translation

The consolidated financial statements are presented in South African currency, which is the company's functional and presentation currency. Transactions in other currencies are dealt with as follows:

1.15 Foreign currency translation (continued)**Foreign currency balances**

Transactions in foreign currencies are converted to South African currency at the rate of exchange ruling at the date of these transactions. Monetary assets and liabilities denominated in a foreign currency at the end of the financial year are translated to South African currency at the approximate rates ruling at that date. Foreign exchange gains or losses arising from foreign exchange transactions whether realised or unrealised are included in the determination of profit.

Foreign entities

The assets and liabilities of overseas subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The income statements of overseas subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to equity. On disposal of a foreign entity, accumulated exchange differences are recognised in the income statement as a component of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the acquiring company and are recorded at the exchange rate at the date of the transaction.

1.16 Inventories

Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolescence and slow moving items. The cost of inventories, which are determined on a weighted average cost basis, comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.17 Taxation**Current tax**

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred taxation

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- where the deferred tax liability arises from goodwill impairment or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and unused tax assets and unused tax losses carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax assets and unused tax losses carried forward can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- where receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Secondary taxation on companies

Secondary tax on companies (STC) is calculated on the declaration date of all dividends net of dividends received and is included in the taxation expense in the income statement. To the extent that it is probable that the entity with the STC credits will declare dividends of its own against which unused STC credits can be utilised, a deferred tax asset is recognised for such STC credits.

1.18 Provisions

Provisions are recognised when:

- a present legal or constructive obligation exists as a result of past events where it is probable that a transfer of economic benefits will be required to settle the obligation, and
- a reasonable estimate of the obligation can be made.

A present obligation is considered to exist when the group has no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision was raised is charged to the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

1.19 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at their fair value, being the consideration received, net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

1.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Sale of mining and beneficiated products

Sale of mining and beneficiated products represents the F.O.B. or C.I.F. sales value of ores and alloys exported and the F.O.R. sales value of ores and alloys sold locally. Sales of mining and beneficiated products are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Technical fees and commissions on sales

Revenue from technical fees and commissions on sales is recognised on the date when the risk passes in the underlying transaction.

Ores and alloys

Revenue from the sale of ores and alloys is recognised on the date when the significant risks and rewards of ownership in the goods has passed to the buyer.

Interest received

Interest received is recognised using the effective interest method ie the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net amount of the financial asset.

1.20 Revenue (continued)**Dividends received**

Dividends received are recognised when the shareholders' right to receive the payment is established.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term of ongoing leases.

1.21 Post-employment benefits

Retirement benefit plans operated by the group are of both the defined benefit and defined contribution types. The cost of providing benefits under defined benefit plans are determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised using the "corridor method", ie as income or an expense when the net cumulative unrecognised actuarial gains or losses for each individual plan at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation or the fair value of the plan assets at that date. These gains and losses are recognised over the expected average remaining working lives of the employees participating in the plans.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The rate at which contributions are made to a defined contribution funds are fixed and are recognised as an expense when employees have rendered services in exchange for those contributions. No liabilities are raised in respect of the defined contribution fund, as there is no legal or constructive obligation to pay further contributions should the fund not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

1.22 Definitions**Earnings and headline earnings per share**

The calculation of earnings per share is based on net income after taxation and State's share of profits, after adjusting for outside shareholders' interests divided by the weighted number of shares outstanding during the period.

Headline earnings comprise earnings for the year; adjusted for profits and losses on items of a capital nature. Headline earnings have been calculated in accordance with circular 7/2002 issued by the South African Institute of Chartered Accountants. Adjustments against earnings are made after taking into account attributable taxation and minority interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Cash resources

The cash resources disclosed in the cash flow statement comprise cash on hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value. Bank overdrafts have been separately disclosed with current liabilities on the balance sheet. The book value of cash deposits with banks and money-market instruments approximate their fair value.

| | Cost 2007 R'000 | Accumulated depreciation 2007 R'000 | Carrying amount 2007 R'000 | Cost 2006 R'000 | Accumulated depreciation 2006 R'000 | Carrying amount 2006 R'000 |
|-----------------------------------------------------------------------|--------------------------------|--------------------------------------------------------|-----------------------------------------------|--------------------------------|--------------------------------------------------------|-----------------------------------------------|
| 2. PROPERTY, PLANT AND EQUIPMENT | | | | | | |
| At year-end | | | | | | |
| Mining assets | | | | | | |
| Mineral and prospecting rights | 432 476 | 51 536 | 380 940 | 436 869 | 35 479 | 401 390 |
| Land, buildings and mine properties | 227 859 | 52 212 | 175 647 | 166 704 | 44 349 | 122 355 |
| Plant and equipment | 1 994 852 | 511 858 | 1 482 994 | 1 152 384 | 440 381 | 712 003 |
| Prospecting, exploration, mine development and decommissioning assets | 788 530 | 195 291 | 593 239 | 741 509 | 139 803 | 601 706 |
| Vehicles, furniture and office equipment | 263 393 | 110 039 | 153 354 | 179 315 | 85 649 | 93 666 |
| Leased assets capitalised | 26 519 | 4 406 | 22 113 | 10 663 | 4 417 | 6 246 |
| Capital work in progress | 3 596 | – | 3 596 | – | – | – |
| | 3 737 225 | 925 342 | 2 811 883 | 2 687 444 | 750 078 | 1 937 366 |
| Other assets | | | | | | |
| Land and buildings | 6 363 | – | 6 363 | – | – | – |
| Township property | 2 051 | 81 | 1 970 | 2 051 | 75 | 1 976 |
| Industrial property | 13 452 | 2 471 | 10 981 | 12 386 | 2 085 | 10 301 |
| Plant and equipment | 60 614 | 24 206 | 36 408 | 143 | 121 | 22 |
| Vehicles, furniture and office equipment | 25 887 | 17 856 | 8 031 | 34 305 | 23 305 | 11 000 |
| Capital work in progress | 62 970 | – | 62 970 | – | – | – |
| | 171 337 | 44 614 | 126 723 | 48 885 | 25 586 | 23 299 |
| | 3 908 562 | 969 956 | 2 938 606 | 2 736 329 | 775 664 | 1 960 665 |

Exchange differences

Exchange differences for the year arising on the translation at year-end of the property, plant and equipment of a foreign subsidiary amounted to R6 260 (2006: R37 807).

Leased assets

Vehicles with a carrying amount of R22,1 million (2006: R6,3 million) are encumbered as security for the finance lease agreements referred to in note 12.

Borrowing costs

Acquisitions in respect of mine development includes borrowing costs amounting to R7,0 million (2006: R1,4 million) that were capitalised during the year. Borrowing costs are capitalised at effective rates applicable to group borrowings during the year.

Capital work-in-progress

Included in mine development, plant and machinery and capital work in progress above, are assets with a carrying amount of R861,2 million (2006: R45,7 million) which relate to projects in progress from which no revenue is currently derived.

| 2007 | Opening carrying amount R'000 | Acquisitions R'000 | Disposals R'000 | Reclassi- fications R'000 | Depreciation charge R'000 | Reversal of of items previously capitalised R'000 | Closing carrying amount R'000 |
|-----------------------------------------------------------------------------|----------------------------------------|-----------------------|--------------------|---------------------------------|---------------------------------|---------------------------------------------------------------|----------------------------------------|
| 2. PROPERTY, PLANT AND EQUIPMENT (continued) | | | | | | | |
| Movement for the year | | | | | | | |
| Mining assets | | | | | | | |
| Mineral and prospecting rights | 401 390 | - | - | (120) | (20 330) | - | 380 940 |
| Land, buildings and mine properties | 122 355 | 61 580 | (19) | (93) | (8 176) | - | 175 647 |
| Plant and equipment | 712 003 | 914 639 | 144 | (35 849) | (110 670) | 2 727 | 1 482 994 |
| Prospecting, exploration, mine development and decommissioning assets | 601 706 | 46 038 | (4 595) | 4 822 | (54 732) | - | 593 239 |
| Vehicles, furniture and office equipment | 93 666 | 85 279 | (6 915) | 3 227 | (24 455) | 2 552 | 153 354 |
| Leased assets capitalised | 6 246 | 26 479 | - | - | (4 365) | (6 247) | 22 113 |
| Capital work in progress | - | 3 596 | - | - | - | - | 3 596 |
| | 1 937 366 | 1 137 611 | (11 385) | (28 013) | (222 728) | (968) | 2 811 883 |
| Other assets | | | | | | | |
| Land and buildings | - | 2 234 | (316) | 4 445 | - | - | 6 363 |
| Township property | 1 976 | - | - | - | (6) | - | 1 970 |
| Industrial property | 10 301 | 5 160 | - | (4 233) | (247) | - | 10 981 |
| Plant and equipment | 22 | 8 453 | (49) | 31 027 | (3 045) | - | 36 408 |
| Vehicles, furniture and office equipment | 11 000 | 2 641 | (13) | (3 199) | (2 391) | (7) | 8 031 |
| Capital work in progress | - | 62 970 | - | - | - | - | 62 970 |
| | 23 299 | 81 458 | (378) | 28 040 | (5 689) | (7) | 126 723 |
| | 1 960 665 | 1 219 069 | (11 763) | 27 | (228 417) | (975) | 2 938 606 |

| 2006 | Opening carrying amount R'000 | Acquisitions R'000 | Reclassifications and disposals R'000 | Depreciation charge R'000 | Increase in joint venture holding R'000 | Closing carrying amount R'000 |
|-----------------------------------------------------------------------|----------------------------------|-----------------------|------------------------------------------|------------------------------|--------------------------------------------|----------------------------------|
| 2. PROPERTY, PLANT AND EQUIPMENT (continued) | | | | | | |
| Movement for the year | | | | | | |
| Mining assets | | | | | | |
| Mineral and prospecting rights | 53 836 | 361 142 | 693 | (19 394) | 5 113 | 401 390 |
| Land, buildings and mine properties | 158 850 | 50 544 | (94 334) | (7 572) | 14 867 | 122 355 |
| Plant and equipment | 452 948 | 127 772 | 178 751 | (89 484) | 42 016 | 712 003 |
| Prospecting, exploration, mine development and decommissioning assets | 533 876 | 124 894 | (46 832) | (60 872) | 50 640 | 601 706 |
| Vehicles, furniture and office equipment | 73 829 | 50 470 | (18 455) | (19 153) | 6 975 | 93 666 |
| Leased assets capitalised | 7 489 | – | – | (1 954) | 711 | 6 246 |
| | <u>1 280 828</u> | <u>714 822</u> | <u>19 823</u> | <u>(198 429)</u> | <u>120 322</u> | <u>1 937 366</u> |
| Other assets | | | | | | |
| Township property | – | – | 1 993 | (17) | – | 1 976 |
| Industrial property | 8 179 | 2 600 | (658) | 180 | – | 10 301 |
| Plant and equipment | 39 381 | 1 096 | (39 880) | (575) | – | 22 |
| Vehicles, furniture and office equipment | 7 042 | 2 139 | 1 914 | (95) | – | 11 000 |
| | <u>54 602</u> | <u>5 835</u> | <u>(36 631)</u> | <u>(507)</u> | <u>–</u> | <u>23 299</u> |
| | <u>1 335 430</u> | <u>720 657</u> | <u>(16 808)</u> | <u>(198 936)</u> | <u>120 322</u> | <u>1 960 665</u> |

| | 2007 R'000 | 2006 R'000 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------|
| 3. INVESTMENT PROPERTIES | | |
| Land and buildings | | |
| Carrying amount at beginning of year | 59 077 | 53 046 |
| Acquisitions | 2 375 | 6 031 |
| Reclassifications | (27) | – |
| Carrying amount at end of year | 61 425 | 59 077 |
| Estimated fair value | 152 025 | 121 842 |
| <p>A register containing details of investment properties is available for inspection during business hours at the registered address of the company by shareholders or their duly authorised agents.</p> <p>There is no depreciation charge for the year as the residual values are either equal to, or exceed the carrying amounts.</p> | | |
| 4. INTANGIBLE ASSETS | | |
| Intangible assets consist of proprietary licences and goodwill. | | |
| Licences | | |
| Carrying amount at beginning of year | 2 050 | 2 037 |
| Arising on the acquisition of additional shares in joint venture entity | – | 192 |
| Amortisation for the year | (180) | (179) |
| Carrying amount at end of year | 1 870 | 2 050 |
| Goodwill | | |
| Carrying amount at beginning and end of year | 1 418 | 1 418 |
| | 3 288 | 3 468 |
| 5. AVAILABLE-FOR-SALE INVESTMENTS | | |
| Listed – at market value | 235 994 | 169 625 |
| Unlisted – at cost and directors' valuation | 125 | 125 |
| | 236 119 | 169 750 |
| Listed – at cost | 37 033 | 47 455 |
| Fair value adjustment transferred to other reserves (refer note 11) | 198 961 | 122 170 |
| As above | 235 994 | 169 625 |
| 6. INVENTORIES | | |
| Raw materials | 404 740 | 355 956 |
| Consumable stores | 46 867 | 45 075 |
| Finished goods | 524 440 | 495 121 |
| | 976 047 | 896 152 |
| Cost of inventory recognised as an expense | 2 567 935 | 2 273 175 |
| Cost of inventory written down during the year recognised in cost of sales | 1 255 | 4 079 |

| | 2007 R'000 | 2006 R'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|---------------|
| 7. TRADE AND OTHER RECEIVABLES | | |
| Trade receivables | 618 196 | 525 813 |
| Other receivables | 180 323 | 122 208 |
| | 798 519 | 648 021 |
| Trade and other receivables are non-interest-bearing and are normally settled on 60 to 120-day terms. | | |
| 8. SHARE CAPITAL | | |
| Authorised | | |
| 40 000 000 (2006: 40 000 000) ordinary shares of 2,5 cents each | 1 000 | 1 000 |
| Issued | | |
| Balance at beginning of year (28 000 000 ordinary shares of 2,5 cents each) | 700 | 700 |
| Repurchase of 2 214 199 shares of 2,5 cents per share at R63,00 per share | - | (55) |
| Issue of 1 696 890 shares of 2,5 cents per share, at a premium of R84,98 per share and for a consideration of R144,2 million | - | 42 |
| Issue of 517 309 shares of 2,5 cents per share at a premium of R101,83 per share, and for a consideration of R52,7 million | - | 13 |
| Balance at end of year (28 000 000 ordinary shares of 2,5 cents each) | 700 | 700 |
| Refer to note 9 for details of the share premium and share issue expenses. | | |
| 9. SHARE PREMIUM | | |
| Balance at beginning of year | 30 358 | - |
| Repurchase of 2 214 199 shares | - | (162 694) |
| Arising on the following issues refer note 8 above: | | |
| - 1 696 890 shares at a premium of R84,98 per share | - | 144 193 |
| - 517 309 shares at a premium of R101,83 per share | - | 52 679 |
| Share issue expenses on the above issue of shares | - | (3 820) |
| Balance at end of year | 30 358 | 30 358 |
| 10. TREASURY SHARES | | |
| Balance at beginning of year | (78 526) | - |
| 913 710 Assore shares, or approximately 3,26% of Assore's issued share capital, acquired by Main Street 350 (Proprietary) Limited a wholly owned subsidiary of the Bokamoso Trust which is regarded as a controlled entity. | - | (77 665) |
| Transaction costs on the above | - | (861) |
| 62 291 Assore shares, acquired by Main Street 460 (Proprietary) Limited, a wholly owned subsidiary of Assore in terms of the authority granted by shareholders at the previous annual general meeting. | (7 736) | - |
| Balance at end of year | (86 262) | (78 526) |
| 11. OTHER RESERVES | | |
| Foreign currency translation reserve arising on consolidation | 757 | 487 |
| After tax fair value adjustment arising on the revaluation of available-for-sale investments | 169 644 | 100 419 |
| Gross fair value adjustment at year-end (refer note 5) | 198 961 | 122 170 |
| Less: Deferred capital gains taxation | (29 317) | (21 751) |
| | 170 401 | 100 906 |

| | Note | 2007 R'000 | 2006 R'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|-------------------|------------------|
| 12. LONG-TERM BORROWINGS | | | |
| South African long-term borrowings | | | |
| Preference shares | | | |
| 536 "A" preference shares of 1 cent each issued by Main Street 350 (Proprietary) Limited to a banker to finance the acquisition of the Assore shares explained in note 10. | | 56 929 | 53 600 |
| Secured loans | | | |
| Finance lease liabilities over vehicles with a carrying amount of R22,1 million (2006: R6,3 million) repayable in varying monthly instalments over 60 months (2006: 36 months) which bear interest at 1,40% (2006: 1,75%) below the prime overdraft rate | | 18 283 | 4 433 |
| Less: Repayable within one year included in short-term borrowings (refer note 17) | | 22 786 (4 503) | 6 606 (2 173) |
| | | 75 212 | 58 033 |

| | Balance at year-end | | Repayable during the years ending 30 June | | | |
|-----------------------------|---------------------|---------------|-------------------------------------------|---------------|---------------|---------------|
| | 2007 R'000 | 2008 R'000 | 2009 R'000 | 2010 R'000 | 2011 R'000 | 2012 R'000 |
| Secured | | | | | | |
| – finance lease liabilities | 22 786 | 4 503 | 5 054 | 4 392 | 2 805 | 6 032 |
| | 2006 R'000 | 2007 R'000 | 2008 R'000 | 2009 R'000 | 2010 R'000 | 2011 R'000 |
| Secured | | | | | | |
| – finance lease liabilities | 6 606 | 2 173 | 2 382 | 2 051 | – | – |

Interest payable and repayments

The group has finance leases over mining vehicles, which have no terms of renewal or purchase options and escalation clauses. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | 2007 | | 2006 | |
|----------------------------------------------------|---------------------------|------------------------------------|---------------------------|------------------------------------|
| | Minimum payments R'000 | Present value of payments R'000 | Minimum payments R'000 | Present value of payments R'000 |
| Within one year | 6 915 | 4 503 | 2 686 | 2 164 |
| After one year but not more than five years | 21 949 | 18 283 | 4 839 | 4 442 |
| Total minimum lease payments | 28 864 | 22 786 | 7 525 | 6 606 |
| Less: Finance charges | 6 078 | – | 919 | – |
| Present value of minimum lease payments (as above) | 22 786 | 22 786 | 6 606 | 6 606 |

| | 2007 R'000 | 2006 R'000 |
|-------------------------------------------------------------------------|----------------|----------------|
| 13. DEFERRED TAXATION | | |
| At year-end | | |
| Raised on the following: | | |
| Accelerated capital allowances | 622 165 | 539 040 |
| Provisions raised | (28 831) | (15 749) |
| Valuation of inventories | (2 228) | (334) |
| Revaluation of available-for-sale investments | 29 317 | 21 751 |
| Other | 174 | 136 |
| | 620 597 | 544 844 |
| Movements | | |
| Balance at beginning of year | 544 844 | 345 181 |
| – Deferred tax assets | 4 621 | 6 134 |
| – Deferred tax liabilities | 549 465 | 351 315 |
| | 75 753 | 199 663 |
| Accelerated capital allowances | 83 125 | 156 732 |
| Provisions (reversed)/raised | (13 082) | 1 950 |
| Valuation of inventories | (1 894) | 4 037 |
| Revaluation of available-for-sale investments | 7 566 | 5 388 |
| Arising on the acquisition of additional shares in joint venture entity | – | 31 688 |
| Other | 38 | (132) |
| | 620 597 | 544 844 |
| Balance at end of year | 6 808 | 4 621 |
| – Deferred tax assets | 627 405 | 549 465 |
| – Deferred tax liabilities | | |
| | | |
| 14. LONG-TERM PROVISIONS | | |
| Environmental obligations | | |
| Provision for cost of decommissioning assets | 50 170 | 25 416 |
| Balance at beginning of year | 25 416 | 26 537 |
| Provisions raised during the year | 7 083 | 246 |
| Charged/(credited) to interest paid | 906 | (3 377) |
| Increase in decommissioning assets | 16 765 | – |
| Arising on the acquisition of additional shares in joint venture entity | – | 2 010 |
| | 23 489 | 28 406 |
| Provision for cost of environmental restoration | | |
| Balance at beginning of year | 28 406 | 20 046 |
| Provisions (reversed)/raised during the year | (5 405) | 6 315 |
| Charged to interest paid | 488 | 646 |
| Arising on the acquisition of additional shares in joint venture entity | – | 1 399 |
| | 73 659 | 53 822 |
| Balance at end of year (carried forward) | | |

| | 2007 R'000 | 2006 R'000 |
|---------------------------------------------------------------------------------------------|---------------|---------------|
| 14. LONG-TERM PROVISIONS (continued) | | |
| Environmental obligations (brought forward) | 73 659 | 53 822 |
| Post-retirement healthcare benefits (refer note 32) | | |
| Balance at beginning of year | 10 457 | 12 715 |
| Investments made during the year on behalf of employees | - | (13 931) |
| Provision (reversed)/raised during the year | (2 373) | 13 627 |
| Arising on the acquisition of additional shares in joint venture entity | - | 815 |
| | 8 084 | 13 226 |
| Less: Payable within one year (refer note 16) | - | (2 769) |
| Balance at end of year | 8 084 | 10 457 |
| | 81 743 | 64 279 |
| Environmental obligations before funding (as above) | 73 659 | 53 822 |
| Less: Cash deposits held by environmental trust funds per balance sheet | 29 097 | 22 941 |
| Obligations provided for in the balance sheet, but not yet funded | 44 562 | 30 881 |
| 15. TRADE AND OTHER PAYABLES | | |
| Trade payables | 488 928 | 307 113 |
| Other payables | 119 178 | 77 964 |
| | 608 106 | 385 077 |
| Trade and other payables are non-interest-bearing and are normally settled on 30-day terms. | | |
| 16. SHORT-TERM PROVISIONS AND ACCRUALS | | |
| Balance at beginning of year | 20 242 | 28 245 |
| Provisions raised for the year | 6 272 | 3 676 |
| Payments made during the year | (1 937) | (15 244) |
| Short-term portion of long-term provision (refer note 14) | - | 2 769 |
| Arising on the acquisition of additional shares in joint venture entity | - | 796 |
| Balance at end of year | 24 577 | 20 242 |
| Made up as follows: | | |
| Bonuses | | |
| Balance at beginning of year | 1 909 | 1 632 |
| Provisions raised | 2 064 | 1 909 |
| Payments made during the year | (1 909) | (1 632) |
| Balance at end of year | 2 064 | 1 909 |
| Leave pay | | |
| Balance at beginning of year | 15 564 | 13 248 |
| Provisions raised | 4 208 | 2 568 |
| Payments made during the year | (28) | (1 048) |
| Arising on the acquisition of additional shares in joint venture entity | - | 796 |
| Balance at end of year | 19 744 | 15 564 |
| Pension fund contributions | | |
| Balance at beginning of year | - | 800 |
| Provisions reversed | - | (800) |
| Balance at end of year | - | - |
| Post-retirement healthcare benefits | | |
| Balance at beginning of year | 2 769 | 12 565 |
| Payments made during the year | - | (12 565) |
| Short-term portion of long-term provision (refer note 14) | - | 2 769 |
| Balance at end of year | 2 769 | 2 769 |
| | 24 577 | 20 242 |

| | Note | 2007 R'000 | 2006 R'000 |
|----------------------------------------------------------------------------------------------------------------------------------------|------|------------------|---------------|
| 17. OVERDRAFTS AND SHORT-TERM BORROWINGS | | | |
| Overdrafts and short-term borrowings (unsecured) | | 540 267 | 251 281 |
| Current portion of long-term borrowings (refer note 12) | | 4 503 | 2 173 |
| | | 544 770 | 253 454 |
| Overdrafts and short-term borrowings are repayable on demand and interest rates are linked to the prime overdraft rate. | | | |
| 18. REVENUE | | | |
| Revenue comprises: | | | |
| Sales of mining and beneficiated products | | 4 293 036 | 3 382 587 |
| Net technical fees and commissions on sales | | 111 399 | 78 742 |
| Gross receipts | | 208 818 | 146 508 |
| Eliminated on proportionate consolidation of Assmang | | (97 419) | (67 766) |
| Interest received | | 20 676 | 18 839 |
| Dividends received from available-for-sale investments | | 5 034 | 3 860 |
| Other | | 11 891 | 10 449 |
| | | 4 442 036 | 3 494 477 |
| 19. FINANCE COSTS | | | |
| Finance costs incurred | | 34 443 | 16 711 |
| Less: Amounts capitalised | 2 | (6 972) | (1 427) |
| Per income statement | | 27 471 | 15 284 |
| 20. PROFIT BEFORE TAXATION AND STATE'S SHARE OF PROFITS | | | |
| Profit before taxation and State's share of profits is stated after taking into account the following items of income and expenditure: | | | |
| Income | | | |
| Profit on disposal of property, plant and equipment | | 2 458 | 5 570 |
| Foreign exchange gains | | | |
| – realised | | 80 042 | 41 888 |
| – unrealised | | 2 852 | 25 784 |
| Expenditure | | | |
| Amortisation of intangible assets | | 180 | 179 |
| Auditors' remuneration | | 3 997 | 2 749 |
| – Audit fees | | 3 200 | 2 865 |
| – Other services | | 772 | 65 |
| – Underprovision/(reversal of overprovision) in prior years | | 25 | (181) |
| Cost of inventories written down | | 1 255 | 4 079 |
| Depreciation of mining assets (refer note 2) | | 222 728 | 198 429 |
| – Mineral and prospecting rights | | 20 330 | 19 394 |
| – Land, buildings and mining properties | | 8 176 | 7 572 |
| – Plant and equipment | | 110 670 | 89 484 |
| – Prospecting, exploration, mine development and decommissioning | | 54 732 | 60 872 |
| – Vehicles, furniture and office equipment | | 24 455 | 19 153 |
| – Leased assets capitalised | | 4 365 | 1 954 |

| | 2007 R'000 | 2006 R'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 20. PROFIT BEFORE TAXATION AND STATE'S SHARE OF PROFITS (continued) | | |
| Expenditure (continued) | | |
| Depreciation of other assets (refer note 2) | 5 689 | 507 |
| – Township and industrial property | 253 | (163) |
| – Plant and equipment | 3 045 | 575 |
| – Vehicles, furniture and office equipment | 2 391 | 95 |
| Exploration expenditure | 762 | 442 |
| Loss on disposal and scrapping of property, plant and equipment | 207 | 1 |
| Foreign exchange losses | | |
| – unrealised | 20 464 | – |
| Operating lease expenses | 616 | 600 |
| Professional fees | 511 | 7 241 |
| Provision for impairment of debtors and bad debts written off | 10 | 34 |
| Transfer secretary fees | 211 | 212 |
| Staff costs (refer note 32) | | |
| – salaries and wages (including directors' emoluments) | 377 207 | 312 230 |
| – healthcare costs | 15 056 | 13 775 |
| – pension fund contributions | 24 354 | 21 537 |
| 21. TAXATION AND STATE'S SHARE OF PROFITS | | |
| South African normal taxation | | |
| – current year | 258 129 | 110 302 |
| – underprovisions relating to prior years | 854 | 4 055 |
| Capital gains tax | 6 239 | 16 942 |
| State's share of profits | 20 452 | 18 869 |
| Deferred taxation | | |
| – temporary differences | 68 187 | 65 112 |
| Secondary tax on companies | 15 223 | 12 289 |
| | 369 084 | 227 569 |
| The current tax charge is affected by non-taxable investment income, capital redemption allowances and assessed tax losses in certain subsidiary companies and trading losses in other subsidiary companies for which there was no tax relief in the current year. | | |
| Estimated losses available for the reduction of future taxable income arising in certain joint venture and subsidiary companies at year-end | 98 218 | 80 282 |
| Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies | 715 332 | 83 435 |
| The group has unused credits in respect of secondary tax on companies of R92,1 million (2006: R76,8 million). No deferred tax asset has been raised on these amounts as there is no certainty that the credits will be utilised in the foreseeable future. | | |
| Reconciliation of tax rate (%) | | |
| Nominal tax rate | 29,00 | 29,00 |
| Adjusted for: | | |
| Dividend income | (0,12) | (0,16) |
| Exempt income | (1,14) | (6,13) |
| Over/(under) provisions relating to prior years | 0,07 | 0,57 |
| Capital gains tax | 0,54 | 2,39 |
| State's share of profits | 1,74 | 2,67 |
| Disallowable expenditure | 0,56 | 1,49 |
| Secondary tax on companies | 1,30 | 1,74 |
| Other | (0,47) | 0,60 |
| Effective tax rate | 31,48 | 32,17 |

| | 2007 R'000 | 2006 R'000 |
|----------------------------------------------------------------------------------------------------|---------------|---------------|
| 22. EARNINGS AND HEADLINE EARNINGS PER SHARE | | |
| Earnings per share (cents) | 2 863 | 1 652 |
| Headline earnings per share (cents) | 2 720 | 1 170 |
| The above calculations were determined using the following information: | | |
| Earnings | | |
| Profit attributable to shareholders of the holding company | 774 704 | 457 384 |
| Headline earnings | | |
| Earnings as above | 774 704 | 457 384 |
| Adjusted for: | | |
| Profit (after tax) on disposal of: | | |
| – property, plant and equipment | (2 104) | (4 367) |
| – available-for-sale investments | (36 786) | (129 085) |
| Loss on disposal and scrapping of property, plant and equipment | 207 | 1 |
| Headline earnings | 736 021 | 323 933 |
| Weighted number of ordinary shares outstanding (R'000) | | |
| Ordinary shares in issue | 28 000 | 28 000 |
| Treasury shares (note 10) | (942) | (305) |
| Weighted average number of shares outstanding | 27 058 | 27 695 |
| 23. DIVIDENDS | | |
| Dividends declared during the year | | |
| Final dividend No. 99 of 150 cents (2006: 150 cents) per share – declared on 30 August 2006 | 42 000 | 42 000 |
| Interim dividend No. 100 of 150 cents (2006: 80 cents) per share – declared on 19 February 2007 | 42 000 | 22 400 |
| Less: Dividends attributable to treasury shares | (2 928) | – |
| | 81 072 | 64 400 |
| Per share (cents) | 300 | 230 |
| Dividends relating to the activities of the group for the year under review | | |
| Interim dividend No. 100 of 150 cents (2006: 80 cents) per share – declared on 19 February 2007 | 42 000 | 22 400 |
| Final dividend No. 101 of 200 cents (2006: 150 cents) per share – declared on 29 August 2007 | 56 000 | 42 000 |
| Less: Dividends attributable to treasury shares | (3 416) | – |
| | 94 584 | 64 400 |
| Per share (cents) | 350 | 230 |

| | Note | 2007 R'000 | 2006 R'000 |
|-----------------------------------------------------------------|------|------------------|------------------|
| 24. NOTES TO THE CASH FLOW STATEMENT | | | |
| 24.1 Cash generated by operations | | | |
| Profit before taxation and State's share of profits | | 1 172 439 | 707 391 |
| Adjusted for: | | 212 435 | 85 081 |
| – Dividends received | | (5 034) | (3 860) |
| – Interest received | | (20 676) | (18 839) |
| – Profit on disposal of property, plant and equipment | | (2 458) | (5 570) |
| – Profit on disposal of available-for-sale investments | | (43 025) | (145 777) |
| – Net unrealised foreign exchange gains | | – | (25 784) |
| – Net unrealised foreign exchange losses | | 17 612 | – |
| – Amortisation of intangibles | 4 | 180 | 179 |
| – Cost of inventories written down | | 1 255 | 4 079 |
| – Depreciation on property, plant and equipment | 2 | 228 417 | 198 936 |
| – Discount on BEE transaction | | – | 35 752 |
| – Finance costs | | 27 471 | 15 284 |
| – Accretion on the environmental provisions | | 1 394 | – |
| – Foreign currency translation reserve | | 530 | 1 777 |
| – Loss on disposal of property, plant and equipment | | 207 | 1 |
| – Movements in long-term provisions | | (695) | 24 412 |
| – Movements in short-term provisions | | 6 272 | 4 473 |
| – Provision for impairment of debtors and bad debts written off | | 10 | 34 |
| – Other non-cash flow items | | 975 | (16) |
| | | 1 384 874 | 792 472 |
| 24.2 Dividend income | | | |
| Credited to the income statement | | 5 034 | 3 860 |
| 24.3 Movements in working capital | | | |
| Increase in inventories | | (81 150) | (204 631) |
| (Increase)/decrease in trade and other receivables | | (168 120) | 683 |
| Increase in trade and other payables | | 223 022 | 52 140 |
| Payments against long-term provisions | | – | (16 662) |
| Payments against short-term provisions | | (1 937) | (15 244) |
| | | (28 185) | (183 714) |
| 24.4 Taxation paid | | | |
| Unpaid at beginning of year | | (56 609) | (105 141) |
| Charged to the income statement | | (369 084) | (227 569) |
| Movement in deferred taxation | | 68 186 | 194 276 |
| Unpaid at end of year | | 89 076 | 56 609 |
| | | (268 431) | (81 825) |
| 24.5 Dividends paid | | | |
| Unpaid at beginning of year | | (100) | (76) |
| Paid during the year | | (84 000) | (64 400) |
| Dividends attributable to treasury shares | | 2 928 | – |
| Unpaid at end of year | | 107 | 100 |
| | | (81 065) | (64 376) |
| 24.6 Cash resources at end of year | | | |
| Cash resources | | 280 360 | 148 894 |

The cash resources disclosed in the cash flow statement comprise cash on hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value over time. Bank overdrafts have been separately disclosed as current liabilities in the balance sheet.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group is exposed to various financial risks related to the use of financial instruments in the normal course of its operations, however; it does not acquire, hold or issue any derivative instruments for speculative purposes.

Treasury risk management committees have been established by the group which manage these risks in accordance with the policies itemised below:

25.1 Currency risk

The group's markets are predominantly priced in US dollars and euro, which expose the group's cash flows to foreign exchange currency risks. The group is also exposed to currency risk relating to the purchase of certain products and assets during the ordinary course of its business. Where considered appropriate, these risks are hedged using forward exchange contracts.

The extent to which foreign currency receivables and payables are covered by forward exchange contracts is continuously reviewed in the light of changes in operational forecasts and market conditions and the group's hedging policy.

The group's exposure in this regard at year-end was as follows:

| Forward exchange contracts open at year-end | R'000 | Foreign currency amount | Average exchange rate | Maturity date |
|---------------------------------------------|--------|-------------------------|-----------------------|-------------------------------|
| 2007 | | | | |
| Sales | – | n/a | n/a | n/a |
| 2006 | | | | |
| Sales | 35 800 | US\$5 000 | 7,16 | 1 July 06 – 20 November 06 |

Foreign debtors included in trade and other receivables at year-end

| | 2007 R'000 | 2006 R'000 |
|-----------------------|----------------|----------------|
| US dollar denominated | 340 366 | 295 341 |
| Euro denominated | 190 252 | 176 714 |
| | 530 618 | 472 055 |

25.2 Credit risk

Credit risk arises from possible defaults on payments by customers or, where letters of credit have been issued, by bank counterparties. The group minimises credit risk by the careful evaluation of the ongoing credit worthiness of customers and bank counterparties before transactions are concluded. Certain customers who have well established credit accounts are allowed to transact on open account, however; customers are generally required to raise letters of credit in which only banking institutions with acceptable credit ratings are considered.

At year-end, the group did not consider that there was any significant concentration of credit risk which had not been adequately provided for in this regard.

25.3 Fair value risk

The estimated fair value of the group's financial instruments which is based on relevant market information is compared with the carrying amount on an ongoing basis, and as at 30 June 2007, their carrying amount approximated fair value. As market information is involved in making assumptions, estimated fair value is determined as accurately as the relevant market information will permit.

25.4 Interest rate risk

Interest rate risk arises through the impact which interest rate fluctuations have on the return on short-term cash investments and the cost of financing activities. Interest rates are continually monitored based on relevant updated information. Cash is managed to ensure that surplus funds are invested in a manner which is aimed at achieving maximum returns, while minimising risks, and borrowing rates are compared across the larger retail banking institutions.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**25.4 Interest rate risk (continued)**

The group was exposed to the following interest rate risks at year-end:

| Financial assets | | Carrying amount at year-end R'000 | Maturity date | Effective interest rate | |
|---------------------------------------------|------|----------------------------------------------|-----------------------------------------|-------------------------------|-----------------------------------|
| 2007 | | | | | |
| Cash on deposit with financial institutions | | 280 360 | Current | Overnight call deposit | |
| 2006 | | | | | |
| Cash on deposit with financial institutions | | 148 894 | Current | Overnight call deposit | |
| Financial liabilities | Note | Foreign currency amount US dollar '000 | Carrying amount at year-end R'000 | Maturity date | Effective interest rate |
| 2007 | | | | | |
| Long-term borrowings | | | | | |
| Local – finance leases | 12 | n/a | 75 212 | Year 2012 | 1,40% below prime |
| Short-term borrowings | | | | | |
| Local – financial institutions | 17 | n/a | 302 848 | Current | Linked to money market |
| Foreign – financial institutions | | 34 480 | 241 922 | Current | Linked to LIBOR |
| | | 34 480 | 619 982 | | |
| 2006 | | | | | |
| Long-term borrowings | | | | | |
| Local – finance leases | 12 | n/a | 58 033 | Year 2011 | 1,75% below prime |
| Short-term borrowings | | | | | |
| Local – financial institutions | 17 | n/a | 45 950 | Current | Linked to money market |
| Foreign – financial institutions | | 29 200 | 207 504 | Current | Linked to LIBOR |
| | | 29 200 | 311 487 | | |

25.5 Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment in whichever location or currency it occurs. This risk is controlled and monitored by the preparation of detailed cash flow forecasts and budgets which are regularly reviewed by management. Banking facilities are established in advance with reputable banks to ensure that any forecast cash flow shortfalls can be met from borrowings.

| | 2007 R'000 | 2006 R'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------|
| 26. COMMITMENTS | | |
| Capital | | |
| Expenditure authorised but not contracted for | 773 408 | 1 641 825 |
| Expenditure authorised and contracted for | 1 921 773 | 475 106 |
| | 2 695 181 | 2 116 931 |
| Commitments extend over a three-year period and will be financed from operating cash flows, undrawn committed borrowing facilities and project funding. The anticipated cash outflows are as follows: | | |
| 2007 | – | 987 931 |
| 2008 | 1 376 203 | 729 500 |
| 2009 | 1 085 138 | 399 500 |
| 2010 | 233 840 | – |
| | 2 695 181 | 2 116 931 |
| Operating lease commitments | | |
| Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows: | | |
| Within one year | 617 | 606 |
| After one year but not more than five years | 2 638 | 3 254 |
| | 3 255 | 3 860 |
| Other | | |
| Forward commitments of a foreign subsidiary with regard to its inventory of ores, alloys and metals: | | |
| Purchases US\$22 300 (2006: US\$10 300) | 157 467 | 70 852 |
| Sales US\$70 000 (2006: US\$66 700) | 494 291 | 458 816 |
| | 651 758 | 529 668 |
| 27. BORROWING CAPACITY | | |
| The borrowing capacity of the holding company, certain of its subsidiary companies and joint venture entities is limited by their respective Articles of Association and is based on their aggregate issued and paid up share capital, share premium and retained earnings, as set out below: | | |
| Assore Limited | | |
| Authorised in terms of the Articles of Association | 200 000 | 200 000 |
| External borrowings at year-end | – | – |
| Unutilised borrowing capacity | 200 000 | 200 000 |
| Assmang Limited | | |
| Authorised in terms of the Articles of Association | 2 457 643 | 1 906 877 |
| Less: External borrowings at year-end | | |
| – long-term borrowings | (18 283) | (4 433) |
| – overdrafts and short-term borrowings | (302 848) | (45 950) |
| Unutilised borrowing capacity | 2 136 512 | 1 856 494 |
| Minerais U.S. LLC | | |
| Authorised in terms of the Articles of Association | 280 652 | 213 189 |
| Less: External borrowings at year-end | | |
| – overdrafts and short-term borrowings | (241 922) | (207 504) |
| Unutilised borrowing capacity | 38 730 | 5 685 |

| | 2007 R'000 | 2006 R'000 |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| 28. CONTINGENT LIABILITIES | | |
| Holding company | | |
| Holding company guarantees issued to bankers as security for banking facilities provided to subsidiary companies | 329 766 | 262 933 |
| Performance guarantees issued to customers by subsidiary companies | 33 079 | 29 335 |
| | 362 845 | 292 268 |

The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2006: R180 million). The facility is primarily utilised for and on behalf of Assmang in which the group holds a 50% interest and which in turn has provided a back-to-back guarantee against any claims made by bankers in terms of this facility.

Joint venture entity

The termination account of a contractor, which went into liquidation in 2004 before contract completion, is in dispute. This account deals with claims and counterclaims between Assmang and the contractor in liquidation. As the matter is currently in arbitration, the ultimate outcome cannot presently be determined, but the directors are of the opinion that no provision needs to be made in this regard at year-end.

BEE transactions

Certain preference shares were issued as part of the BEE transaction entered in 2006. If an event of default is triggered in relation to the preference shares, the provisions of the relevant put option and call agreements entered into will apply.

The group has also provided a guarantee to secure the banking facilitation extended to Mampa which at year-end amounted to R9,0 million (2006: R10,5 million). The group in turn holds a back-to-back pledge over Mampa's interest in RMDC in the event that the guarantee is called up.

29. INVESTMENT IN JOINT VENTURE ENTITY

50% (2006: 50%) interest in Assmang Limited (Assmang), which is controlled jointly with African Rainbow Minerals Limited (ARM).

The group financial statements include the following amounts relating to Assmang, which were proportionately consolidated:

Income statement

| | | |
|-----------------------------------------------------|--------------------|-------------|
| Turnover | 3 063 715 | 2 178 849 |
| Cost of sales | (2 038 296) | (1 647 940) |
| Gross profit | 1 025 419 | 530 909 |
| Other operating income | (7 635) | 39 625 |
| Other operating expenses | (52 293) | (85 113) |
| Income from investments | 5 622 | 3 700 |
| Finance costs | (7 762) | (5 917) |
| Profit before taxation and State's share of profits | 963 351 | 483 204 |

| | 2007 R'000 | 2006 R'000 |
|----------------------------------------------------------------------------------------------------------|--------------------|---------------|
| 29. INVESTMENT IN JOINT VENTURE ENTITY (continued) | | |
| Balance sheet | | |
| Property, plant, equipment and intangibles | 2 763 261 | 1 880 222 |
| Current assets | 1 426 010 | 1 175 725 |
| Elimination of investment in joint venture entity | (468 153) | (468 153) |
| Current liabilities – interest-bearing | 302 848 | 45 950 |
| – non-interest-bearing | 545 843 | 285 627 |
| Long-term borrowings – interest-bearing | 18 283 | 4 433 |
| Deferred taxation | 590 104 | 524 032 |
| Long-term provisions | 54 134 | 52 593 |
| Distributable reserves | 2 209 906 | 1 675 159 |
| Cash flows | | |
| Cash retained from operating activities | 864 480 | 369 765 |
| Cash utilised in investing activities | (1 075 455) | (330 094) |
| Cash generated by/(utilised in) financing activities | 244 061 | (36 628) |
| Cash resources | 68 057 | 35 755 |
| Commitments | | |
| Future capital expenditure: | | |
| – contracted for | 1 824 501 | 434 594 |
| – not contracted for | 763 849 | 1 641 352 |
| | 2 588 350 | 2 075 946 |
| Contingent liabilities | | |
| Contingent liabilities relating to the group's interest in the joint venture are referred to in note 28. | | |

30. SEGMENTAL INFORMATION

The group's primary segment reporting format is by business segment and its secondary reporting format by the geographical location of customers. This reflects the predominant risks and rates of return that affect the group.

Business segments

The business of the group is principally mining of ore and beneficiation of alloys. In addition, the group earns revenue from other sources which have been consolidated under a separate heading (refer "other" in the table below) for one of the following reasons:

- the majority of its revenue is earned from internal sales and
- its revenue from total sales is less than 10% of the total revenue, external and internal, of all segments or
- its segment result is less than 10% of the combined result of all segments in profit or loss whether on absolute amounts or
- its assets are less than 10% of the total assets of all segments.

Secondary segmental information**Geographical segment by location of customers**

An analysis of the geographical locations to which product is supplied is set out in the table below:

| | Group revenue by segment 2007 R'000 | Group revenue by segment 2006 R'000 | Group receivables by segment 2007 R'000 | Group receivables by segment 2006 R'000 |
|-------------------------------|-------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Customers by locations | | | | |
| USA | 1 416 271 | 1 338 855 | 164 396 | 133 230 |
| Far East | 1 005 597 | 711 316 | 141 619 | 124 722 |
| Europe | 1 019 032 | 733 318 | 190 252 | 176 714 |
| South Africa | 486 919 | 353 444 | 267 901 | 175 966 |
| Other – foreign | 514 217 | 357 544 | 34 351 | 37 389 |
| | 4 442 036 | 3 494 477 | 798 519 | 648 021 |

No segmental analysis has been provided with regard to capital expenditure as all of the group's property, plant and equipment is located in South Africa.

30. SEGMENTAL INFORMATION (continued)

Primary segmental information

| R'000 | Joint venture mining and beneficiation | | | Subtotal | Marketing and shipping | Other mining and beneficiation | Adjustments arising on consolidation | Total |
|------------------------------------------------------|----------------------------------------|--------------------|-----------------|-------------|------------------------|--------------------------------|--------------------------------------|-------------|
| | Iron Ore Division | Manganese Division | Chrome Division | | | | | |
| Year to 30 June 2007 | | | | | | | | |
| <i>Income statement</i> | | | | | | | | |
| Revenue | 1 081 712 | 1 345 111 | 636 893 | 3 063 716 | 1 490 752 | 137 415 | (249 847) | 4 442 036 |
| Contribution to earnings | 339 743 | 287 943 | 38 397 | 666 083 | 305 878 | 810 | (169 416) | 803 355 |
| Contribution to headline earnings | 339 696 | 287 649 | 38 110 | 665 455 | 268 205 | 428 | (198 067) | 736 021 |
| <i>Balance sheet</i> | | | | | | | | |
| Consolidated total assets | 1 631 372 | 1 425 567 | 841 397 | 3 898 336 | 2 147 945 | 365 828 | (1 088 648) | 5 323 461 |
| Consolidated total liabilities | 726 114 | 127 501 | 587 079 | 1 440 694 | 1 002 982 | 283 481 | (683 076) | 2 044 081 |
| <i>Other information</i> | | | | | | | | |
| Capital expenditure | 867 261 | 148 827 | 99 540 | 1 115 628 | 4 629 | 103 843 | (5 031) | 1 219 069 |
| Depreciation and amortisation | 80 141 | 75 074 | 47 313 | 202 528 | 2 143 | 5 960 | 17 966 | 228 597 |
| Net cash inflow from operating activities | 496 946 | 225 871 | 141 664 | 864 481 | 156 383 | 3 503 | (50 286) | 974 081 |
| Cash outflow from investing activities | (854 533) | (148 328) | (72 595) | (1 075 456) | 47 627 | (90 892) | (32 389) | (1 151 110) |
| Cash (outflow)/inflow from financing activities | (313 027) | – | 68 967 | (244 060) | (90 113) | 75 990 | 566 678 | 308 495 |
| Year to 30 June 2006 | | | | | | | | |
| <i>Income statement</i> | | | | | | | | |
| Revenue | 705 318 | 1 004 122 | 469 409 | 2 178 849 | 1 390 695 | 113 531 | (188 598) | 3 494 477 |
| Contribution to earnings | 199 468 | 163 429 | (29 579) | 333 318 | 303 544 | (18 332) | (138 708) | 479 822 |
| Contribution to headline earnings | 199 452 | 163 813 | (31 939) | 331 326 | 172 084 | (18 333) | (161 144) | 323 933 |
| <i>Balance sheet</i> | | | | | | | | |
| Consolidated total assets | 704 523 | 1 206 663 | 831 268 | 2 742 454 | 1 734 293 | 331 278 | (899 057) | 3 908 968 |
| Consolidated total liabilities | 139 008 | 81 223 | 615 347 | 835 578 | 826 851 | 239 654 | (519 545) | 1 382 538 |
| <i>Other information</i> | | | | | | | | |
| Capital expenditure | 173 061 | 119 571 | 59 883 | 352 515 | 4 323 | 8 768 | 350 533 | 716 139 |
| Depreciation and amortisation | 60 273 | 63 738 | 56 126 | 180 137 | 1 961 | 7 049 | 9 968 | 199 115 |
| Net cash inflow/ (outflow) from operating activities | 263 363 | 62 019 | 44 383 | 369 765 | 69 607 | (16 737) | 25 228 | 447 863 |
| Cash outflow from investing activities | (169 127) | (118 013) | (42 954) | (330 094) | (219 160) | (17 817) | (116 534) | (683 605) |
| Cash (outflow)/inflow from financing activities | (13 608) | (11 920) | (11 100) | (36 628) | 14 831 | 41 151 | 89 716 | 109 070 |

| | 2007 R'000 | 2006 R'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
| 31. RELATED PARTY TRANSACTIONS | | |
| Transactions with related parties are concluded at arm's length and under terms and conditions that are no less favourable than those arranged with third parties. | | |
| The following significant related party transactions occurred during the year: | | |
| Joint venture entity | | |
| Assmang Limited | | |
| – gross commissions received | 208 818 | 146 508 |
| – amounts payable to related parties at year-end | 8 857 | 9 194 |
| – amounts receivable from related parties at year-end | 10 656 | 10 321 |
| Refer to note 29 for details of the joint venture entity | | |
| Subsidiary companies | | |
| Key management personnel of the group | | |
| | 55 260 | 41 241 |
| Foreign subsidiary | | |
| Minerais U.S. LLC | | |
| – commissions received | 13 079 | 10 727 |
| – amounts receivable from related party transactions at year-end | 8 999 | 15 586 |

Minerais U.S. LLC.

The group holds a 51% share in Minerais U.S. LLC (Minerais) which is a limited liability company registered in the state of New Jersey in the United States of America (USA). Minerais is responsible for marketing and sales administration of the group's products in the USA, and trades in various commodities related to the steel making industry.

Refer to note 28 for details of security and guarantees provided on behalf of related parties.

32. RETIREMENT BENEFIT INFORMATION**32.1 Pensions**

Subsidiary companies provide retirement benefits through a defined benefit pension fund and a defined contribution plan.

In addition, Assmang has made provision for pension plans covering all employees which comprise a defined contribution pension fund and two defined contribution provident funds administered by employee organisations within the industries in which members are employed.

Past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes, to a pension plan, past service costs are recognised immediately.

Defined benefit plans

The most recent statutory actuarial valuation of the defined benefit pension fund (the Assore Pension Fund) was performed as at 1 July 2005 and revealed a 93,2% funding level as set out below:

| | Assore Pension Fund 1 July 2005 R'000 |
|----------------------------------------|---------------------------------------------|
| Actuarial present value of assets | 121 918 |
| Actuarial present value of liabilities | 130 749 |
| Shortfall | (8 831) |
| Funding level | 93,2% |

Based on a funding check prepared on 1 July 2007, it has been agreed with the fund actuaries that no specific funding of the deficit is required at this stage. During this period the fund has moved from a R9 million deficit to a R25,9 million surplus, mainly due to excellent investment returns.

Contributions to the fund by the group which were expensed during the year amounted to R8,6 million (2006: R6,8 million).

The principal actuarial assumptions employed at the 2005 statutory valuation include:

Economic:

- Investment returns per annum 7,5%
- Salary inflation per annum 6,0%
- Pension increases per annum 3,75%

32. RETIREMENT BENEFIT INFORMATION (continued)**32.1 Pensions (continued)**

Other

- Active mortality – Nil
- Pensioner mortality PA (90) – Ultimate table
- Merit salary increases as per sliding scale depending on age starting at 5% per annum below age 25, and reducing to zero above age 50.
- Spouse's benefits for active members – on average, husbands are assumed to be two years older than their wives, and married at date of retirement.
- For current pensioners, their actual marital status and, where applicable, the exact age of their spouse has been taken into account.

Defined contribution plan

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Reviews of the plans are carried out by independent actuaries at regular intervals. Contributions to the funds are 15,0% of payroll, split on an agreed basis between members and the employer:

The amount expensed in the current year was R15,8 million (2006: R14,7 million).

32.2 Medical aid**Subsidiary companies**

Subsidiary companies within the group have obligations to fund the medical aid costs of certain employees and pensioners. Agreement has been reached with the pensioners and applicable members of staff in terms of which these obligations have been converted to either purchased annuities or a series of lump sum payments into the defined benefit pension fund on their behalf. The payments or premiums concerned were calculated by an independent actuary and have resulted in the liabilities arising from these obligations being settled.

Medical aid contributions paid on behalf of current members of staff and pensioners by subsidiary companies amounted to R2,9 million (2006: R2,8 million).

Joint venture entity

The joint venture entity, Assmang, has obligations to fund a portion of certain retiring employees' medical aid contributions based on the cost of benefits. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method, and a corresponding liability has been raised.

The following table summarises the components of the net benefit expense recognised in the income statements of the joint venture entity.

| | 2007 R'000 | 2006 R'000 |
|-----------------------------------------------|----------------|---------------|
| Current service cost | 438 | 1 034 |
| Interest cost on benefit obligation | 2 062 | 1 090 |
| Benefits | (560) | – |
| Net actuarial gain recognised during the year | (6 685) | – |
| Net benefit movement for the year | (4 745) | 2 124 |

The liability is assessed periodically by an independent actuarial survey based on the following principal actuarial assumptions:

- a net discount rate of 1,0% per annum;
- an increase in health care costs at a rate of 7,92% per annum;
- assumed rate of return on assets at 9% per annum.

The liabilities raised are based on the present values of the post-retirement benefits and have been recognised in full. The most recent actuarial valuation was conducted on 30 June 2007 for the year ended 30 June 2007.

The provisions raised in respect of post-retirement health care benefits amounted to R16,2 million (2006: R20,9 million) at the end of the year. Of this amount R4,7 million (2006: R2,1 million credit) was charged against income in the current year.

Medical aid contributions paid on behalf of current members of staff and pensioners by the joint venture entity during the year amounted to R24,3 million (2006: R22,0 million).