# CONSOLIDATED FINANCIAL STATEMENTS CONTENTS


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# APPROVAL OF ANNUAL FINANCIAL STATEMENTS

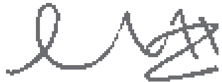
The annual financial statements of Assore Limited and group annual financial statements for the year ended 30 June 2008 as set out on pages [illegible] to [illegible] were approved by the board of directors on 27 August 2008 and signed on its behalf by:

Desmond Sacco
*Chairman*

C J Cory
*Chief Executive Officer*

# CERTIFICATE BY COMPANY SECRETARY

We certify that the requirements as stated in section 268G(d) of the Companies Act have been met and that all returns, as are required of a public company in terms of the aforementioned Act, have been submitted to the Registrar of Companies and that such returns are true, correct and up to date.



**African Mining and Trust Company Limited**
Secretaries

**per: C D Stemmett**

27 August 2008

## REPORT ON THE ANNUAL FINANCIAL STATEMENTS

We have audited the annual financial statements of Assore Limited and group annual financial statements, which comprise the directors' report, the balance sheets as at 30 June 2008, the income statements, the statements of changes in equity and cash flow statements for the year then ended, and summary of significant accounting policies and other explanatory notes, as set out on pages t to t.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the group and company as at 30 June 2008, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Subsequent to the year-end we were informed by management that they had declared certain trades by the company in Assore Limited shares to the Directorate of Market Abuse of the Financial Services Board which were in contravention of the Security Services Act, Act 36 of 2004, as more fully described on page  of the directors' report.

In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing Profession Act we were obliged to report the matter as a reportable irregularity to the Independent Regulatory Board for Auditors. We have subsequently issued a further report to the Independent Regulatory Board for Auditors that in our opinion the reportable irregularity is no longer taking place.

**Ernst & Young Inc.**
*Registered Auditor*

Johannesburg
27 August 2008

# DIRECTORS' REPORT

## NATURE OF BUSINESS

Assore Limited, which was incorporated in 1950, is a mining holding company principally engaged in ventures involving base minerals and metals. The company's shares are listed on the JSE Limited (the JSE) under "Assore" in the general mining sector and its ultimate holding company is Oresteel Investments (Proprietary) Limited.

The group's principal investment is a 50% (2007: 50%) interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM). Assmang is involved in the mining of manganese, iron and chrome ores and the production of manganese and chrome alloys. In addition, the group mines chrome ore and Wonderstone (a type of pyrophyllite) for its own account and produces a range of ceramic and abrasive products for use in specialised industrial applications.

The group, through its wholly owned subsidiary, Ore & Metal Company Limited, is responsible for marketing all products produced by its joint venture entities and subsidiary companies, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. Details of the group's activities are set out, by activity, in the review of operations (refer to pages  to ).

## FINANCIAL RESULTS

The financial position of the group and company and their results for the year ended 30 June 2008 are set out in the annual financial statements of the group (refer page ) and company (refer page ) included in this report (the financial statements). The results of the group for the year are summarised below:

| | Year ended 30 June | |
|---|---|---|
| | **2008 R'000** | 2007 R'000 |
| Turnover | **9 158 937** | 4 293 036 |
| Profit for the year | **3 178 365** | 803 355 |
| Attributable to: | | |
| Shareholders of the holding company | **3 069 522** | 774 704 |
| Minority shareholders | **108 843** | 28 651 |
| As above | **3 178 365** | 803 355 |
| Profit attributable to the shareholders of the holding company as above | **3 069 522** | 774 704 |
| Dividends relating to the group's activities for the year under review (refer note 24) | **307 408** | 94 584 |
| Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008 | **70 000** | 42 000 |
| Final dividend No. 103 of 1 000 cents (2007: 200 cents) per share – declared on 27 August 2008 | **280 000** | 56 000 |
| *Less:* dividends attributable to treasury shares | **(42 592)** | (3 416) |
| Profit for the year after dividends | **2 762 114** | 680 120 |
| The attributable interest of the company in the aggregate net profit and losses after taxation of group companies was as follows: | | |
| Jointly controlled entity – 50% share (2007: 50%) | | |
| – Profit | **2 515 968** | 534 748 |
| Subsidiary companies | | |
| – Profit | **347 918** | 98 549 |
| – Losses | **28 190** | 15 862 |

## CONTROL OVER FINANCIAL REPORTING

The directors of the company are responsible for the preparation and fair presentation of the financial statements and related financial information included in this report. The external auditors, Ernst & Young Inc, whose report appears on page ◆◆, are responsible for expressing an opinion on the financial statements based on their audit.

The financial statements included in this report are based on judgements and estimates which are intended to be both reasonable and prudent and have been prepared by management in accordance with International Financial Reporting Standards (IFRS) based on appropriate accounting policies which, unless otherwise indicated, have been applied consistently with the previous year.

The financial statements have been prepared on a going-concern basis and the directors have no reason to believe that any of the businesses in the group will not be a going concern in the year ahead. With regard to the valuation of assets, the directors are of the opinion that the carrying amount of all assets included on the balance sheet is reasonably stated.

In order to discharge their responsibilities with regard to the financial statements, the directors ensure, through their duly appointed Audit Committee, that management maintains adequate accounting records and systems of internal control which are developed and reviewed for effectiveness on an ongoing basis. The systems of internal control are based on established organisational structures, policies and procedures, including budgeting and forecasting disciplines and are managed and controlled by suitably trained personnel who are organised in structures with appropriate segregation of authorities and duties. While internal controls are intended to adequately safeguard the group's assets and prevent and detect material misstatement and loss, these systems can only be expected to provide reasonable, and not absolute, assurance as to the reliability of financial information.

## JOINTLY CONTROLLED ENTITY

The group owns 50% (2007: 50%) of the ordinary share capital of Assmang. The results of Assmang are accounted for by Assore using the proportionate consolidation method and set out below are extracts from the audited financial statements of Assmang and its subsidiary companies for the year ended 30 June 2008.

The calculation of profit for consolidation purposes was based on the profit of Assmang for the year ended 30 June 2008 and dividends declared during that period.

### Abridged consolidated income statement of Assmang

| | Year ended 30 June | |
|---|---|---|
| | **2008 R'000** | 2007 R'000 |
| Turnover | **14 835 456** | 6 127 430 |
| Profit before taxation and State's share of profit | **8 227 883** | 1 971 824 |
| Taxation and State's share of profit | **2 691 992** | 639 660 |
| Profit for the year | **5 535 891** | 1 332 164 |
| Dividends declared during the year | **479 008** | 230 634 |
| Profit for the year after dividends paid | **5 056 883** | 1 101 530 |
| Earnings per share (rands) | | |
| – attributable | **1 560,19** | 375,45 |
| – headline | **1 564,13** | 375,10 |
| Dividends paid per share (rands) | | |
| – final | **35,00** | 30,00 |
| – interim | **100,00** | 35,00 |
| | **135,00** | 65,00 |

Abridged consolidated balance sheet of Assmang

| | At 30 June | |
|---|---|---|
| | **2008 R'000** | 2007 R'000 |
| **Assets** | | |
| Non-current assets | **7 196 333** | 4 905 627 |
| Current assets | **8 561 439** | 2 891 045 |
| Total assets | **15 757 772** | 7 796 672 |
| **Equity and liabilities** | | |
| Total equity | **9 972 168** | 4 915 285 |
| Non-current liabilities | **1 782 717** | 1 144 982 |
| Current liabilities | | |
| – interest-bearing | **511 829** | 605 695 |
| – non-interest-bearing | **3 491 058** | 1 130 710 |
| Total equity and liabilities | **15 757 772** | 7 796 672 |
| Number of ordinary shares in issue (thousands) | **3 548** | 3 548 |
| Capital expenditure (Rm) | **2 900** | 2 231 |
| Capital commitments (Rm) | **1 473** | 5 177 |

## SHARE PURCHASES AND WAREHOUSING AGREEMENT

Shareholders were advised by a circular dated 12 August 2008 that on 27 June 2008, The Standard Bank of South Africa Limited (Standard Bank) had acquired 2 931 653 Assore shares (amounting to 10,47% of shares in issue) on behalf of Assore from Old Mutual Life Assurance Company (South Africa) Limited (Old Mutual) at R760 per share for a total consideration of R2 228 056 280 (the warehoused shares). In contemplation of the purchase by Standard Bank of the warehoused shares from Old Mutual, Assore entered into a warehousing arrangement with Standard Bank, in terms of which Standard Bank agreed to warehouse the warehoused shares and subsequently sell such shares to Assore and Main Street 460 (Proprietary) Limited (a wholly owned subsidiary of Assore) (Assore SubCo) in certain proportions for the same aggregate price at which they had been acquired by Standard Bank from Old Mutual (the warehousing arrangement). Assore's rationale for entering into the warehousing arrangement emanated from the fact that the warehoused shares had become available for purchase, but as Assore was about to enter a closed period (as defined in terms of the Listings Requirements of the JSE Limited (the Listings Requirements) on 1 July 2008, Assore was not permitted to undertake a specific share repurchase until it had released its results for the year ended 30 June 2008, and such the closed period had expired. The warehousing arrangement accordingly afforded Assore sufficient opportunity to obtain the requisite approval of shareholders in terms of the Companies Act, 1973 (the Companies Act) and the Listings Requirements in order to purchase the warehoused shares from Standard Bank.

In order to provide security to Standard Bank for the warehousing arrangement, Assore ceded all rights, title and interests in and to a portfolio of cash on deposit and available-for-sale investments held by Assore to Standard Bank for the period of the warehousing arrangement. Shareholders are referred to the abovementioned circular for further details of the mechanics of the transaction and certain other related matters.

These, and various related transactions, as detailed in the circular, have been concluded in order to accumulate a parcel of Assore shares amounting to 10,98% (refer Black Economic Empowerment) of the total ordinary issued share capital for the purposes of finalising, in due course, a second black economic empowerment share transaction which will increase the current 15,02% equity ownership empowerment of Assore, achieved as a result of the first empowerment transaction with Shanduka and the Bokamoso Trust in February 2006, to the 26% required to be achieved by 2014 in terms of the Socio-economic Empowerment Charter for the South African Mining Industry.

The necessary shareholder approvals enabling Assore and Assore SubCo to purchase the warehoused shares from Standard Bank were obtained at the general meeting of Assore shareholders held on Thursday 4 September 2008 at Johannesburg, and the warehoused shares have accordingly been purchased from Standard Bank, on 15 September 2008 such that Assore acquired 280 000 Assore shares in terms of section 85 of the Companies Act (which shares were cancelled and restored to the status of authorised but unissued shares) and Assore SubCo acquired 2 651 653 Assore shares in terms of section 89 of the Companies Act (which shares are held as treasury shares).

The aggregate consideration of R2 228 056 280 payable to Standard Bank on the purchase of the warehoused shares was partially funded by the allotment and issue to Standard Bank of 220 variable rate cumulative redeemable preference shares with an aggregate subscription price of R2,2 billion (including share premium) (refer POST-BALANCE SHEET EVENTS below), with the balance being funded from Assore's existing cash resources.

Shareholders are referred to the abovementioned circular for further details of the mechanics of the transaction as regards such preference shares, and the security arrangements entered into in respect thereof. For accounting purposes the warehoused shares have been treated as treasury shares in accordance with the requirements of IAS 32 and 39.

### POST-BALANCE SHEET EVENTS

The following significant corporate events occurred subsequent to the year-end but which, in the opinion of the board of directors, do not require any adjustments to the financial statements at 30 June 2008:

1 At the general meeting held on Thursday 4 September 2008, all the resolutions, both special and ordinary, required to approve the warehousing arrangement, the share repurchase and purchase by Assore and Assore SubCo respectively, and various ancillary matters (refer SHARE REPURCHASES AND WAREHOUSING AGREEMENT above) were passed by the requisite majority, and the relevant special resolutions have been registered by the Registrar of Companies in accordance with the Companies Act.

2 In accordance with the authority given to directors in terms of the aforementioned resolutions, Assore repurchased 148 347 Assore shares from Assore SubCo in terms of section 85 of the Companies Act, which Assore shares were held by Assore SubCo as treasury shares, at a price of R236,90 per Assore share (being the average price at which Assore SubCo acquired such Assore shares through open market transactions). The Assore shares so repurchased were cancelled and restored to the status of authorised but unissued shares.

3 In accordance with the authority given to directors in terms of the aforementioned resolutions, the warehoused shares were acquired from Standard Bank on 15 September 2008 at a price of R760 per share for an aggregate consideration of R2 228 056 280. The consideration was settled and financed by the issue to Standard Bank of 220 cumulative redeemable variable rate preference shares of R0,01 each at a premium of R9 999 999,99 per share and the balance from existing cash resources.

4. On 27 August 2008, the board declared a final dividend of 1 000 cents per share, which was paid to shareholders on 22 September 2008.

### PURCHASE OF ASSORE SHARES DURING A CLOSED PERIOD

During the month of August 2007 (ie subsequent to the previous financial year-end) the company acquired 86 056 Assore shares in the market at a cost of some R27,4 million, being an average price of R318,48 per share. The shares were acquired as part of an initiative to accumulate Assore shares for the purposes of a future black economic empowerment transaction, and were acquired from willing sellers who had placed parcels of shares for sale in the market at their stipulated price. At no time had the company placed an order 'to buy' Assore shares in the market, and the shares concerned were acquired in terms of a general share repurchase scheme proposed and approved in terms of section 89 of the Companies Act at the annual general meeting held in the previous year on 24 November 2006. In error, and without any intent other than the above strategic objective as regards a second empowerment transaction, the Assore shares concerned were acquired during a closed period as defined in the Listings Requirements (ie between the financial year-end and the publication of annual financial results in the press). As soon as the board of directors became aware of the matter, it was reported, on an urgent basis, to the JSE through the company's sponsors on 30 August 2007. The JSE informed the company that in the circumstances they would not pursue the matter any further, but were obliged to report the matter to the Directorate of Market Abuse of the Financial Services Board (FSB).

Following a period of investigation, the FSB informed the company on 2 September 2008 that it was of the opinion that the share purchases concerned were a contravention of section 73 of the Securities Services Act and it would be proceeding with an enforcement action which could result in a penalty on the company in excess of R5,9 million. In order to bring the matter to a close, the board of directors has offered to settle the matter on payment of an administrative penalty of R2,5 million, which the FSB has in turn accepted, taking into consideration the special circumstances of the case and the good faith of the board of directors in handling the matter.

# DIRECTORS' REPORT (continued)

## DIVIDENDS

In accordance with the group's accounting policy for dividends, only dividends which are declared during the financial year are recorded for in the financial statements and are summarised as follows:

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| Final dividend No. 101 of 200 cents (2007: 150 cents) per share – declared on 29 August 2007 | **56 000** | 42 000 |
| Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008 | **70 000** | 42 000 |
| *Less:* dividends attributable to treasury shares | **(4 392)** | (2 928) |
| | **121 608** | 81 072 |

Subsequent to year-end, an increased final dividend of 1 000 cents per share was declared payable to shareholders on 22 September 2008.The dividends which relate to the group's activities for the year under review can therefore be summarised as follows:

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008 | **70 000** | 42 000 |
| Final dividend No. 103 of 1 000 cents – declared on 27 August 2008 | **280 000** | 56 000 |
| *Less:* dividends attributable to treasury shares | **(42 592)** | (3 416) |
| | **307 408** | 94 584 |

## DIRECTORATE AND SECRETARY

The names of the directors at the date of this report and the name of the company secretary, including its business and postal addresses, are set out on page [illegible] of this report.

On 1 February 2008, Mr N G Sacco was appointed as alternate director to Mr C J Cory. In terms of the company's Articles of Association, Messrs Desmond Sacco and P C Crous are required to retire by rotation at the forthcoming annual general meeting. All of the abovementioned directors, being eligible, offer themselves for re-election.

## DIRECTORS' EMOLUMENTS

Emoluments paid to directors for the year under review are summarised as follows:

| | Directors' fees (refer note 1) R'000 | Salary R'000 | Bonuses (refer note 2) R'000 | Contri-butions to pension scheme R'000 | Other fringe benefits (refer note 3) R'000 | Total R'000 |
|---|---|---|---|---|---|---|
| Directors' emoluments | | | | | | |
| **2008** | | | | | | |
| Executive | | | | | | |
| Desmond Sacco (Executive Chairman) | **110** | **3 398** | **283** | **–** | **419** | **4 210** |
| R J Carpenter (Deputy Chairman) | **96** | **3 232** | **11 843** | **734** | **243** | **16 148** |
| C J Cory (Chief Executive Officer) | **96** | **2 950** | **11 682** | **671** | **249** | **15 648** |
| P C Crous (Technical and Operations) | **96** | **2 592** | **11 478** | **600** | **211** | **14 977** |
| Non-executive | | | | | | |
| P N Boynton* | **120** | | | | | **120** |
| B M Hawksworth | **150** | | | | | **150** |
| M C Ramaphosa* | **120** | | | | | **120** |
| J C van der Horst | **120** | | | | | **120** |
| Alternate | | | | | | |
| J W Lewis | **–** | **1 180** | **5 673** | **272** | **218** | **7 343** |
| N G Sacco (Appointed 1 February 2008) | **–** | **439** | **28** | **24** | **13** | **504** |
| P E Sacco (Appointed 1 July 2007) | **15** | **360** | **114** | **72** | **127** | **688** |
| R Smith | **–** | **–** | **–** | **–** | **–** | **–** |
| | **923** | **14 151** | **41 101** | **2 373** | **1 480** | **60 028** |
| 2007 | | | | | | |
| Executive | | | | | | |
| Desmond Sacco (Executive Chairman) | 110 | 3 035 | 1 853 | – | 390 | 5 388 |
| R J Carpenter (Deputy Chairman) | 96 | 2 885 | 5 769 | 655 | 219 | 9 624 |
| C J Cory (Chief Executive Officer) | 96 | 2 634 | 5 702 | 600 | 228 | 9 260 |
| P C Crous (Technical and Operations) | 96 | 2 254 | 5 601 | 525 | 204 | 8 680 |
| Non-executive | | | | | | |
| P N Boynton* | 60 | | | | | 60 |
| B M Hawksworth | 120 | | | | | 120 |
| M C Ramaphosa* | 100 | | | | | 100 |
| J C van der Horst | 100 | | | | | 100 |
| Alternate | | | | | | |
| J W Lewis | – | 1 054 | 1 572 | 244 | 254 | 3 124 |
| R Smith | – | – | – | – | – | – |
| | 778 | 11 862 | 20 497 | 2 024 | 1 295 | 36 456 |

* *Fees paid to employer*

Notes:

1. Directors' fees paid to executive directors include directors' fees paid by jointly controlled entity Assmang.
2. Due to the shareholding structure, the company is unable to offer directors remuneration by way of share incentive or option arrangements and bonuses are determined based on results for the year and progress in the achievement of long and medium term strategic objectives.
3. Other fringe benefits comprise medical aid contributions, car scheme allowance, life insurance contributions, leave paid out and study loan benefits.

## INTERESTS IN SHARES OF THE COMPANY

None of the directors or their immediate families hold any options to acquire shares in the company nor are they entitled to any gains by way of commissions, profit sharing arrangements or contracts entered into with group companies.

Interests of the directors in the ordinary shares of the company at 30 June 2008 were as follows, and other than mentioned below, the company is unaware of any material change in these interests between year-end and the date of this report.

| | Direct beneficial Number of shares | | Indirect beneficial Number of shares | | Non-beneficial Number of shares | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| **Executive directors** | | | | | | |
| Desmond Sacco | **65 000** | 65 000 | **6 486 098** | 6 486 098 | **8 000** | 8 000 |
| R J Carpenter | **22 400** | 22 400 | **–** | – | **8 000** | 8 000 |
| C J Cory | **10 000** | 10 000 | **–** | – | **8 000** | 8 000 |
| P C Crous | **3 000** | 3 000 | **–** | – | **8 000** | 8 000 |
| **Non-executive directors** | | | | | | |
| P N Boynton | **–** | – | **–** | – | **8 000** | 8 000 |
| B M Hawksworth | **–** | – | **–** | – | **–** | – |
| M C Ramaphosa | **–** | – | **1 106 000** | 1 106 000 | **–** | – |
| Dr J C van der Horst | **–** | – | **–** | – | **–** | – |
| **Alternate directors** | | | | | | |
| J W Lewis | **2 500** | 2 500 | **–** | – | **–** | – |
| N G Sacco (appointed 01/02/08) | **34 050** | 34 050 | **–** | – | **–** | – |
| P E Sacco (appointed 01/07/07) | **35 050** | 35 050 | **–** | – | **–** | – |
| R Smith | **–** | – | **–** | – | **–** | – |
| | **172 000** | 172 000 | **7 592 098** | 7 592 098 | **40 000** | 40 000 |

On the [illegible] and [illegible], Mr Desmond Sacco acquired an additional 50 000 and 10 000 shares in Assore respectively in which he holds a direct beneficial interest.

## HOLDING COMPANY

The company's holding company is Oresteel Investments (Proprietary) Limited.

## ANALYSIS OF SHAREHOLDING

The following analysis of shareholders has been established in accordance with the JSE Listings Requirements, based on an examination of the company's share register at 30 June 2008 other than mentioned below. The directors are not aware of any material changes to this analysis between the year-end and the date of this report.

| | **2008** **%** | 2007 % |
|---|---|---|
| **Shareholder spread** | | |
| Shares held by the public/non-public | | |
| Non-public* | | |
| – Holders in excess of 10% of the share capital | 74,51 | 80,64 |
| – Directors of the company | 0,61 | 0,37 |
| | 75,12 | 81,01 |
| Public (637 shareholders 2007: 374) | 24,88 | 18,99 |
| | 100,00 | 100,00 |

** As defined by Rule 4,25 of the JSE Listings Requirements*

| | **2008** **%** | 2007 % |
|---|---|---|
| **Major shareholders** | | |
| Oresteel Investments (Proprietary) Limited | 52,28 | 52,28 |
| Main Street 343 (Proprietary) Limited (a wholly owned subsidiary of Shanduka Resources (Proprietary) Limited) | 11,76 | 11,76 |
| The Standard Bank of South Africa Limited | 10,47 | – |
| Old Mutual Life Assurance Company (South Africa) Limited | 4,57* | 16,60 |
| | 79,08 | 80,64 |
| Others – less than 5% | 20,92 | 19,36 |
| | 100,00 | 100,00 |

* Between the year-end and the date of this report the holding of Old Mutual Life Assurance Company (South Africa) Limited reduced from 4,57% to 4,00%.

Johannesburg
27 August 2008

# CONSOLIDATED BALANCE SHEET as at 30 June 2008

| | Note | 2008 R'000 | 2007 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 2 | **4 131 072** | 2 938 606 |
| Investment properties | 3 | **61 838** | 61 425 |
| Intangible assets | 4 | **3 108** | 3 288 |
| Available-for-sale investments | 5 | **590 191** | 236 119 |
| | | **4 786 209** | 3 239 438 |
| **Current assets** | | | |
| Inventories | 6 | **1 287 730** | 976 047 |
| Trade and other receivables | 7 | **1 998 542** | 798 519 |
| Cash deposits held by environmental trusts | | **36 942** | 29 097 |
| Cash resources | 25.6 | **1 952 015** | 280 360 |
| | | **5 275 229** | 2 084 023 |
| **Total assets** | | **10 061 438** | 5 323 461 |
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Share capital | 8 | **700** | 700 |
| Share premium | 9 | **30 358** | 30 358 |
| Treasury shares | 10 | **(2 341 725)** | (86 262) |
| Retained earnings | | **6 063 424** | 3 115 510 |
| Other reserves | 11 | **358 115** | 170 401 |
| | | **4 110 872** | 3 230 707 |
| Minority shareholders' interest | | **111 528** | 48 673 |
| **Total equity** | | **4 222 400** | 3 279 380 |
| **Non-current liabilities** | | | |
| Long-term borrowings | 12 | **72 792** | 75 212 |
| Deferred taxation | 13 | **899 701** | 620 597 |
| Long-term provisions | 14 | **150 528** | 81 743 |
| | | **1 123 021** | 777 552 |
| **Current liabilities** | | | |
| Trade and other payables | 15 | **1 043 517** | 608 106 |
| Taxation | | **966 127** | 89 076 |
| Short-term provisions | 16 | **84 884** | 24 577 |
| Share warehousing facility | 17 | **2 228 056** | – |
| Overdrafts and short-term borrowings | 18 | **393 433** | 544 770 |
| | | **4 716 017** | 1 266 529 |
| **Total equity and liabilities** | | **10 061 438** | 5 323 461 |

# CONSOLIDATED INCOME STATEMENT for the year ended 30 June 2008

| | Note | **2008 R'000** | 2007 R'000 |
|---|---|---|---|
| Revenue | 19 | **9 545 809** | 4 442 036 |
| Turnover | | **9 158 937** | 4 293 036 |
| Cost of sales | | **4 668 547** | 3 174 247 |
| Gross profit | | **4 490 390** | 1 118 789 |
| Profit on disposal of available-for-sale investments | | **22 350** | 43 025 |
| Technical fees and commissions on sales | 19 | **277 992** | 111 399 |
| Other income | | **333 745** | 121 714 |
| Other expenses | | **(399 005)** | (195 017) |
| Finance costs | 20 | **(38 016)** | (27 471) |
| Profit before taxation and State's share of profits | 21 | **4 687 456** | 1 172 439 |
| Taxation and State's share of profits | 22 | **1 509 091** | 369 084 |
| Profit for the year | | **3 178 365** | 803 355 |
| Attributable to: | | | |
| Shareholders of the holding company | | **3 069 522** | 774 704 |
| Minority shareholders | | **108 843** | 28 651 |
| As above | | **3 178 365** | 803 355 |
| Earnings per share (cents) | 23 | **11 406** | 2 863 |
| Headline earnings per share (cents) | 23 | **11 362** | 2 720 |
| Dividends per share declared during the year (cents) | 24 | **450** | 300 |

# CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2008

| | Note | 2008 R'000 | 2007 R'000 |
|---|---|---|---|
| **Cash retained from operating activities** | | **5 691 607** | 974 081 |
| Net cash generated by operations | | **6 215 471** | 1 361 723 |
| Cash generated by operations | 25.1 | **5 032 284** | 1 384 874 |
| Dividend income | 25.2 | **9 002** | 5 034 |
| Movements in working capital | 25.3 | **1 174 185** | (28 185) |
| Interest income | | **67 745** | 20 676 |
| Finance costs | 20 | **(38 016)** | (27 471) |
| Taxation paid | 25.4 | **(380 611)** | (268 431) |
| Dividends paid to shareholders of the holding company | 25.5 | **(121 647)** | (81 065) |
| Dividends paid to minority shareholders | | **(51 335)** | (31 351) |
| **Cash utilised in investing activities** | | **(3 865 170)** | (1 151 110) |
| Acquisition of shares in the holding company by group companies | | **(2 255 463)** | (7 736) |
| Acquisition of available-for-sale investments | | **(149 084)** | – |
| Additions to property, plant and equipment | | | |
| – to maintain operations | | **(1 007 840)** | (90 143) |
| – to expand operations | | **(499 976)** | (1 107 566) |
| Additions to investment properties | | **(413)** | (2 375) |
| Net movement in environmental rehabilitation trust funds | | **(7 845)** | (6 156) |
| Proceeds on disposal of: | | | |
| – property, plant and equipment | | **28 419** | 9 419 |
| – available-for-sale investments | | **27 032** | 53 447 |
| **Cash (utilised)/generated by financing activities** | | **(154 782)** | 308 495 |
| Increase in long-term borrowings | | **1 885** | 21 682 |
| (Decrease)/increase in overdrafts and short-term borrowings | | **(156 667)** | 286 813 |
| **Cash resources** | | | |
| **– increase for the year** | | **1 671 655** | 131 466 |
| **– at beginning of year** | | **280 360** | 148 894 |
| **– at end of year** | 25.6 | **1 952 015** | 280 360 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2008

| | Note | **2008 R'000** | 2007 R'000 |
|---|---|---|---|
| **Share capital** | | | |
| Balance at beginning and end of year | 8 | **700** | 700 |
| **Share premium** | | | |
| Balance at beginning and end of year | 9 | **30 358** | 30 358 |
| **Treasury shares** | | | |
| Balance at beginning of year | | **(86 262)** | (78 526) |
| Treasury shares purchased during the year | | **(27 407)** | (7 736) |
| Treasury shares warehoused | | **(2 228 056)** | – |
| Balance at end of year | 10 | **(2 341 725)** | (86 262) |
| **Retained earnings** | | | |
| Balance at beginning of year | | **3 115 510** | 2 421 878 |
| Profit for the year | | **3 069 522** | 774 704 |
| Ordinary dividends declared during the year | | **(121 608)** | (81 072) |
| Final dividend No. 101 of 200 cents (2007: 150 cents) per share – declared on 29 August 2007 | | **(56 000)** | (42 000) |
| Interim dividend No. 102 of 250 cents (2007: 150 cents) per share – declared on 18 February 2008 | | **(70 000)** | (42 000) |
| *Less:* Dividends attributable to treasury shares | | **4 392** | 2 928 |
| Balance at end of year | | **6 063 424** | 3 115 510 |
| **Other reserves** | | | |
| Balance at beginning of year | | **170 401** | 100 906 |
| | | **187 714** | 69 495 |
| Net increase in the market value of available-for-sale investments | | **209 669** | 76 791 |
| Deferred capital gains taxation provided on revaluation of available-for sale investments to market value | | **(27 675)** | (7 566) |
| Foreign currency translation reserve arising on consolidation | | **5 720** | 270 |
| Balance at end of year | 11 | **358 115** | 170 401 |
| Share capital and reserves at year-end per balance sheet | | **4 110 872** | 3 230 707 |

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

The financial statements of the group and company are prepared on the historical cost basis, except for financial instruments that are measured at 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.

#### 1.1.1 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.

#### 1.1.2 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 | Effective for financial periods commencing | Description | Impact |
|---|---|---|---|
| IFRS 7 | 1 January 2007 | Financial Instruments – Disclosures | 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 32. This statement requires both quantitative and qualitative disclosure concerning the group's financial instruments. |
| IAS 1 | 1 January 2007 | IAS 1 Amendment – *Capital Disclosures* | 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 did not have any effect on the financial position of the group, however, it did give rise to additional disclosures. |
| IFRIC 11 | 1 March 2007 | IFRS 2 – Group and Treasury Share Transactions | This interpretation addresses whether certain share 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 adoption of this interpretation did not impact on the financial statements once implemented. |
| IFRIC 12 | 1 January 2008 | Service Concession Arrangements | This interpretation gives guidance on the arrangements accounting by operators for public-to-private service concession arrangements. The adoption of this interpretation did not impact on the financial statements once implemented. |
| IFRIC 14 | 1 January 2008 | IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction | This interpretation provides additional guidance on IAS 19 and adoption did not have an impact on the financial statements once implemented. |

### 1.1.3 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 | Effective for financial periods commencing | Description | Impact |
|---|---|---|---|
| IAS 1 | 1 January 2009 | IAS 1 (Amendment) Presentation of Financial Statements (Amendment) | IAS 1 (amendment) – The amendment requires that all non-owner changes in equity (comprehensive income) be presented in either one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income may not be presented in the statement of changes in equity.<br><br>It also requires that a balance sheet is presented at the beginning of the earliest comparative period in a complete set of financial statements when the entity applies an accounting policy retrospectively or makes a retrospective restatement. The entity has to disclose income tax relating to each component of other comprehensive income, and disclose reclassification adjustments relating to components of other comprehensive income.<br><br>The group still needs to determine which disclosure option it will follow for comprehensive income, but it is not expected that the impact on the financial statements will be significant. |
| IAS 23 | 1 January 2009 | IAS 23 (Amendment) Borrowing Costs | 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.<br><br>The group has already adopted the policy of capitalising borrowing costs. |
| IAS 27 | 1 July 2009 | IAS 27 (Amendment) Consolidated and Separate Financial Statements | IAS 27 amendments deal with acquisitions of additional non-controlling equity interests that have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss.<br><br>These amendments will impact on the accounting treatment where additional minority interests are acquired. |
| IAS 32 | 1 January 2009 | IAS 32 (Amendment) Financial Instruments: Presentation IAS 1 (Amendment) Presentation of Financial Statements | IAS 32 requires certain puttable instruments that meet the definition of a financial liability to be classified as equity if, and only if, they meet the required conditions.<br>These amendments will not have any impact on the group's financial statements. |

**1.1 Basis of preparation (continued)**

1.1.3 IFRS and IFRIC interpretations not yet effective (continued)

| Standard | Effective for financial periods commencing | Description | Impact |
|---|---|---|---|
| IFRS 2 | 1 January 2009 | IFRS 2 (Amendment) – Share-based Payment: Vesting Conditions and Cancellations | The amendments apply to equity-settled share-based payment transactions and clarify what are vesting and non-vesting conditions.<br><br>Vesting conditions are now limited to service conditions as defined in the current IFRS 2 and performance conditions. Non-vesting conditions are conditions that do not determine whether the entity receives the services that entitle the counterparty to a share-based payment. Non-vesting conditions are taken into account in measuring the grant date fair value and thereafter there is no true-up for differences between expected and actual outcomes.<br><br>These amendments will not have any impact on the group's financial statements. |
| IFRS 3 | 1 July 2009 | Business Combinations (Revised) | IFRS 3 applies to all new business combinations that occur after 1 April 2010. The statement requires that all transaction costs be expensed and the contingent purchase consideration be recognised at fair value on acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will have to be recognised in profit and loss.<br><br>These amendments will have an impact on the disclosures regarding any business combinations subsequent to 1 April 2010. |
| IFRS 8 | 1 January 2009 | Operating Segments | 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 and the group is still determining the impact of the standard on its financial statements. |
| IFRIC 13 | 1 July 2008 | Customer Loyalty Programmes | IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy goods and services.<br><br>This interpretation is not expected to have any impact on the group's financial statements. |

**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 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 liability on a regular basis and the related assumptions are disclosed in note 33.2.

*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 11% and the nominal discount rate is 9%.

### 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.

**1.4 Property, plant and equipment and depreciation (continued)**

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 25 years. Mineral rights, which are not being depleted, are not amortised. Mineral rights, which have no commercial value, are written off in full.

*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.

*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 |

*Capital work progress*

Capital work in progress is not depreciated and is transferred to the category to which it pertains when the asset is brought into use as intended.

**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 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.

No assets held under operating lease have been classified as investment properties.

### 1.7 Intangible assets

Intangible assets represent proprietary technical information and goodwill. Intangible assets acquired separately are measured at cost on initial recognition. 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 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, in which 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, and 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.

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 at the trade date 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 to 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.

**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.

**1.14 Impairment of financial assets (continued)**

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 group's functional and presentation currency. Transactions in other currencies are dealt with as follows:

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 (VAT)

Revenues, expenses and assets are recognised net of the amount of 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 (STC)

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 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.

**1.21 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.

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.

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.

**1.22 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.

**1.23 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 8/2007 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 2008 R'000 | Accumulated depreciation 2008 R'000 | Carrying amount 2008 R'000 | Cost 2007 R'000 | Accumulated depreciation 2007 R'000 | Carrying amount 2007 R'000 |
|---|---|---|---|---|---|---|
| 2. PROPERTY, PLANT AND EQUIPMENT | | | | | | |
| At year-end | | | | | | |
| Mining assets | | | | | | |
| Mineral and prospecting rights | **432 476** | **71 878** | **360 598** | 432 476 | 51 536 | 380 940 |
| Land, buildings and mine properties | **426 582** | **67 729** | **358 853** | 227 859 | 52 212 | 175 647 |
| Plant and equipment | **3 032 216** | **623 710** | **2 408 506** | 1 994 852 | 511 858 | 1 482 994 |
| Prospecting, exploration, mine development and decommissioning assets | **839 241** | **244 972** | **594 269** | 788 530 | 195 291 | 593 239 |
| Vehicles, furniture and office equipment | **329 424** | **141 541** | **187 883** | 263 393 | 110 039 | 153 354 |
| Leased assets capitalised | **27 543** | **9 457** | **18 086** | 26 519 | 4 406 | 22 113 |
| Capital work in progress | **54 409** | **–** | **54 409** | 3 596 | – | 3 596 |
| | **5 141 891** | **1 159 287** | **3 982 604** | 3 737 225 | 925 342 | 2 811 883 |
| Other assets | | | | | | |
| Land and buildings | **6 962** | **316** | **6 646** | 6 363 | – | 6 363 |
| Township property | **–** | **–** | **–** | 2 051 | 81 | 1 970 |
| Industrial property | **24 813** | **2 913** | **21 900** | 13 452 | 2 471 | 10 981 |
| Plant and equipment | **127 855** | **25 545** | **102 310** | 60 614 | 24 206 | 36 408 |
| Vehicles, furniture and office equipment | **29 071** | **18 648** | **10 423** | 25 887 | 17 856 | 8 031 |
| Capital work in progress | **7 189** | **–** | **7 189** | 62 970 | – | 62 970 |
| | **195 890** | **47 422** | **148 468** | 171 337 | 44 614 | 126 723 |
| | **5 337 781** | **1 206 709** | **4 131 072** | 3 908 562 | 969 956 | 2 938 606 |

**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 R70 940 (2007: R6 260).

**Leased assets**

Vehicles with a carrying amount of R18,1 million (2007: R22,1 million) are encumbered as security for the finance lease agreements referred to in note 12.

**Borrowing costs**

Acquisitions in respect of mine development include borrowing costs amounting to R33,9 million (2007: R7,0 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 R197,6 million (2007: R861,2 million) which relate to projects in progress from which no revenue is currently derived.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2008 (continued)

| 2008 | Opening carrying amount R'000 | Acquisitions and transfers R'000 | Disposals R'000 | Reclassi-fications R'000 | Current depreciation charge R'000 | Closing carrying amount R'000 |
|---|---|---|---|---|---|---|
| 2. PROPERTY, PLANT AND EQUIPMENT (continued) | | | | | | |
| Movement for the year | | | | | | |
| Mining assets | | | | | | |
| Mineral and prospecting rights | 380 940 | – | – | – | (20 342) | 360 598 |
| Land, buildings and mine properties | 175 647 | 199 904 | (2 480) | 2 596 | (16 814) | 358 853 |
| Plant and equipment | 1 482 994 | 1 075 661 | (4 841) | (4) | (145 304) | 2 408 506 |
| Prospecting, exploration, mine development and decommissioning assets | 593 239 | 73 528 | (21 128) | 120 | (51 490) | 594 269 |
| Vehicles, furniture and office equipment | 153 354 | 113 977 | (29 705) | (1 084) | (48 659) | 187 883 |
| Leased assets capitalised | 22 113 | 1 025 | – | – | (5 052) | 18 086 |
| Capital work in progress | 3 596 | 50 813 | – | – | – | 54 409 |
| | 2 811 883 | 1 514 908 | (58 154) | 1 628 | (287 661) | 3 982 604 |
| Other assets | | | | | | |
| Land and buildings | 6 363 | 122 | – | 168 | (7) | 6 646 |
| Township property | 1 970 | – | – | (1 970) | – | – |
| Industrial property | 10 981 | 11 361 | – | – | (442) | 21 900 |
| Plant and equipment | 36 408 | 69 895 | (1 230) | 4 | (2 767) | 102 310 |
| Vehicles, furniture and office equipment | 8 031 | 5 352 | (202) | 170 | (2 597) | 10 754 |
| Capital work in progress | 62 970 | (56 112) | – | – | – | 6 858 |
| | 126 723 | 30 618 | (1 432) | (1 628) | (5 813) | 148 468 |
| | 2 938 606 | 1 545 526 | (59 586) | – | (293 474) | 4 131 072 |

| 2007 | Opening carrying amount R'000 | Acquisitions R'000 | Disposals R'000 | Reclassifi-cations R'000 | Current depreciation charge R'000 | Reversal 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 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2008 (continued)

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **3. INVESTMENT PROPERTIES** | | |
| Land and buildings | | |
| Carrying amount at beginning of year | **61 425** | 59 077 |
| Acquisitions | **413** | 2 375 |
| Reclassifications | **–** | (27) |
| Carrying amount at end of year | **61 838** | 61 425 |
| Estimated fair value | **152 025** | 152 025 |

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.

There is no depreciation charge for the year as the residual values are either equal to, or exceed the carrying amounts.

**4. INTANGIBLE ASSETS**

Intangible assets consist of proprietary licences and goodwill.

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| Licences | | |
| Carrying amount at beginning of year | **1 870** | 2 050 |
| Amortisation for the year | **(180)** | (180) |
| Carrying amount at end of year | **1 690** | 1 870 |
| Goodwill | | |
| Carrying amount at beginning and end of year | **1 418** | 1 418 |
| | **3 108** | 3 288 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **5. AVAILABLE-FOR-SALE INVESTMENTS** | | |
| Listed – at market value | **590 066** | 235 994 |
| Balance at beginning of year | **235 994** | 169 625 |
| Purchases at cost | **149 083** | – |
| Disposals at carrying value | **(4 681)** | (10 422) |
| Fair value adjustment | **209 670** | 76 791 |
| Unlisted – at cost and directors' valuation | **125** | 125 |
| | **590 191** | 236 119 |
| Listed – at cost | **181 436** | 37 033 |
| Fair value adjustment transferred to other reserves (refer note 11) | **408 630** | 198 961 |
| As above | **590 066** | 235 994 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **6. INVENTORIES** | | |
| Raw materials | **529 230** | 404 740 |
| Consumable stores | **110 077** | 46 867 |
| Work in progress | **7 512** | – |
| Finished goods | **641 985** | 524 440 |
| *Less:* Provision for obsolete stock | **(1 074)** | – |
| | **1 287 730** | 976 047 |
| Cost of inventory recognised as an expense | **3 387 559** | 2 567 935 |
| Cost of inventory written down during the year recognised in cost of sales | **2 054** | 1 255 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **7. TRADE AND OTHER RECEIVABLES** | | |
| Trade receivables | **1 980 966** | 618 196 |
| Other receivables | **17 576** | 180 323 |
| | **1 998 542** | 798 519 |
| 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 (2007: 40 000 000) ordinary shares of 2,5 cents each | **1 000** | 1 000 |
| **Issued** | | |
| Balance at beginning and end of year (28 000 000 ordinary shares of 2,5 cents each) | **700** | 700 |
| **9. SHARE PREMIUM** | | |
| Balance at beginning and end of year | **30 358** | 30 358 |
| **10. TREASURY SHARES** | | |
| Balance at beginning of year | **(86 262)** | (78 526) |
| Assore entered into a warehousing agreement in terms of which Standard Bank of South Africa purchased 10,47% (2 931 653 shares) of the issued share capital at R760 per share. | **(2 228 056)** | – |
| 86 086 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. | **(27 407)** | – |
| 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 | **(2 341 725)** | (86 262) |
| **11. OTHER RESERVES** | | |
| Foreign currency translation reserve arising on consolidation | **6 477** | 757 |
| After tax fair value adjustment arising on the revaluation of available-for-sale investments | **351 638** | 169 644 |
| Gross fair value adjustment at year-end (refer note 5) | **408 630** | 198 961 |
| *Less:* Deferred capital gains taxation | **(56 992)** | (29 317) |
| | **358 115** | 170 401 |
| **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. | **58 987** | 56 929 |
| Secured loans | **13 805** | 18 283 |
| Finance lease liabilities over vehicles with a carrying amount of R18,1 million (2007: R22,1 million) repayable in varying monthly instalments over 48 months (2007: 60 months) which bear interest at 1,40% (2007: 1,40%) below the prime overdraft rate | **19 135** | 22 786 |
| *Less:* Repayable within one year included in short-term borrowings (refer note 18) | **(5 330)** | (4 503) |
| | **72 792** | 75 212 |

| 2008 | Balance at year-end Total borrowings 2008 R'000 | Repayable during the years ending 30 June 2009 R'000 | 2010 R'000 | 2011 R'000 | 2012 R'000 | 2013 R'000 |
|---|---|---|---|---|---|---|
| 12. LONG-TERM BORROWINGS (continued) | | | | | | |
| Secured | | | | | | |
| – finance lease liabilities | **19 135** | **5 330** | **4 829** | **5 447** | **3 529** | **–** |
| 2007 | 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 |

**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:

| | 2008 Minimum payments R'000 | 2008 Present value of payments R'000 | 2007 Minimum payments R'000 | 2007 Present value of payments R'000 |
|---|---|---|---|---|
| Within one year | **5 330** | **5 330** | 6 915 | 4 503 |
| After one year but not more than five years | **13 805** | **13 805** | 21 949 | 18 283 |
| Total minimum lease payments | **19 135** | **19 135** | 28 864 | 22 786 |
| *Less:* Finance charges | **–** | **–** | 6 078 | – |
| Present value of minimum lease payments (as above) | **19 135** | **19 135** | 22 786 | 22 786 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **13. DEFERRED TAXATION** | | |
| **At year-end** | | |
| Raised on the following: | | |
| Accelerated capital allowances | **898 915** | 622 165 |
| Provisions raised | **(52 317)** | (28 831) |
| Valuation of inventories | **(4 514)** | (2 228) |
| Revaluation of available-for-sale investments | **56 992** | 29 317 |
| Other | **625** | 174 |
| | **899 701** | 620 597 |
| **Movements** | | |
| Balance at beginning of year | **620 597** | 544 844 |
| – Deferred tax assets | **6 808** | 4 621 |
| – Deferred tax liabilities | **627 405** | 549 465 |
| | **279 104** | 75 753 |
| Reduction due to change in tax rate | **(15 495)** | – |
| Accelerated capital allowances | **292 245** | 83 125 |
| Provisions reversed | **(23 486)** | (13 082) |
| Valuation of inventories | **(2 286)** | (1 894) |
| Revaluation of available-for-sale investments | **27 675** | 7 566 |
| Other | **451** | 38 |
| Balance at end of year | **899 701** | 620 597 |
| – Deferred tax assets | **7 377** | 6 808 |
| – Deferred tax liabilities | **907 078** | 627 405 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **14. LONG-TERM PROVISIONS** | | |
| **Environmental obligations** | | |
| **Provision for cost of decommissioning assets** | **101 895** | 50 170 |
| Balance at beginning of year | **50 170** | 25 416 |
| Provisions raised during the year | **35 761** | 7 083 |
| Provision discount adjustment | **1 721** | 906 |
| Increase in decommissioning assets | **14 243** | 16 765 |
| **Provision for cost of environmental restoration** | **39 373** | 23 489 |
| Balance at beginning of year | **23 489** | 28 406 |
| Provisions raised/(reversed) during the year | **15 120** | (5 405) |
| Provision discount adjustment | **764** | 488 |
| Balance at end of year | **141 268** | 73 659 |
| **Post-retirement healthcare benefits (refer note 33)** | | |
| Balance at beginning of year | **8 084** | 10 457 |
| Benefits | **1 176** | – |
| Provision reversed during the year | **–** | (2 373) |
| Balance at end of year | **9 260** | 8 084 |
| | **150 528** | 81 743 |
| Environmental obligations before funding (as above) | **141 268** | 73 659 |
| *Less:* Cash deposits held by environmental trusts (per balance sheet) | **36 942** | 29 097 |
| Obligation provided for in the balance sheet, but not yet funded | **104 326** | 44 562 |
| **15. TRADE AND OTHER PAYABLES** | | |
| Trade payables | **1 040 505** | 488 928 |
| Other payables | **3 012** | 119 178 |
| | **1 043 517** | 608 106 |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **16. SHORT-TERM PROVISIONS** | | |
| Balance at beginning of year | **24 577** | 20 242 |
| Provisions raised for the year | **63 061** | 6 272 |
| Payments made during the year | **(2 754)** | (1 937) |
| Balance at end of year | **84 884** | 24 577 |
| **Made up as follows:** | | |
| **Bonuses** | | |
| Balance at beginning of year | **2 064** | 1 909 |
| Provisions raised | **2 401** | 2 064 |
| Payments made during the year | **(2 064)** | (1 909) |
| Balance at end of year | **2 401** | 2 064 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2008 (continued)

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **16. SHORT-TERM PROVISIONS (continued)** | | |
| **Leave pay** | | |
| Balance at beginning of year | **19 744** | 15 564 |
| Provisions raised | **5 790** | 4 208 |
| Payments made during the year | **–** | (28) |
| Balance at end of year | **25 534** | 19 744 |
| **Environmental compliance** | | |
| Balance at beginning of year | **–** | – |
| Provisions raised | **54 870** | – |
| Balance at end of year | **54 870** | – |
| **Other** | | |
| Balance at beginning of year | **2 769** | 2 769 |
| Payments made during the year | **(690)** | – |
| Balance at end of year | **2 079** | 2 769 |
| | **84 884** | 24 577 |
| **17. SHARE WAREHOUSING FACILITY** | | |
| Standard Bank has entered into an agreement with Old Mutual to purchase 2 931 653 Assore shares ("the warehoused shares") from Old Mutual at R760 per Assore share for an aggregate consideration of approximately R2 228,1 million. Standard Bank has further entered into an agreement with Assore in terms of which Standard Bank will warehouse the warehoused shares on Assore's behalf until such time as Assore is able to obtain the requisite shareholder approval to repurchase the warehoused shares from Standard Bank at R760 per Assore share for an aggregate consideration of R2 228,1 million, being equal to the amount paid by Standard Bank to Old Mutual for the warehoused shares. | **2 228 056** | – |
| **18. OVERDRAFTS AND SHORT-TERM BORROWINGS** | | |
| Overdrafts and short-term borrowings (unsecured) | **388 103** | 540 267 |
| Current portion of long-term borrowings (refer note 12) | **5 330** | 4 503 |
| | **393 433** | 544 770 |
| Overdrafts and short-term borrowings are repayable on demand and interest rates are linked to the prime overdraft rate. | | |
| **19. REVENUE** | | |
| Revenue comprises: | | |
| Sales of mining and beneficiated products | **9 158 937** | 4 293 036 |
| Technical fees and commissions on sales | **277 992** | 111 399 |
| Gross receipts | **520 104** | 208 818 |
| Eliminated on proportionate consolidation of Assmang | **(242 112)** | (97 419) |
| Interest received | **67 745** | 20 676 |
| Dividends received from available-for-sale investments | **9 002** | 5 034 |
| Other | **32 133** | 11 891 |
| | **9 545 809** | 4 442 036 |

| | Note | 2008 R'000 | 2007 R'000 |
|---|---|---|---|
| **20. FINANCE COSTS** | | | |
| Finance costs incurred on financial instruments | | **71 935** | 34 443 |
| *Less:* Amounts capitalised | 2 | **(33 919)** | (6 972) |
| Per income statement | | **38 016** | 27 471 |
| **21. 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 |
| Foreign exchange gains | | | |
| – realised | | **195 962** | 80 042 |
| – unrealised | | **29 166** | 2 852 |
| **Expenditure** | | | |
| Amortisation of intangible assets | | **180** | 180 |
| Auditors' remuneration | | **4 364** | 3 225 |
| – Audit fees | | **4 173** | 3 200 |
| – Underprovision in prior year | | **191** | 25 |
| Cost of inventories written down | | **2 054** | 1 255 |
| Depreciation of mining assets (refer note 2) | | **287 661** | 222 728 |
| – Mineral and prospecting rights | | **20 342** | 20 330 |
| – Land, buildings and mining properties | | **16 814** | 8 176 |
| – Plant and equipment | | **145 304** | 110 670 |
| – Prospecting, exploration, mine development and decommissioning | | **51 490** | 54 732 |
| – Vehicles, furniture and office equipment | | **48 659** | 24 455 |
| – Leased assets capitalised | | **5 052** | 4 365 |
| Depreciation of other assets (refer note 2) | | **5 813** | 5 689 |
| – Land and buildings | | **7** | – |
| – Township and industrial property | | **442** | 253 |
| – Plant and equipment | | **2 767** | 3 045 |
| – Vehicles, furniture and office equipment | | **2 597** | 2 391 |
| Exploration expenditure | | **97** | 762 |
| Loss on disposal and scrapping of property, plant and equipment | | **10 040** | 207 |
| Foreign exchange losses – unrealised | | **1 964** | 20 464 |
| Operating lease expenses | | **648** | 616 |
| Professional fees | | **26 390** | 1 283 |
| Provision for impairment of debtors and bad debts written off | | **9** | 10 |
| Transfer secretary fees | | **99** | 211 |
| Staff costs (refer note 33) | | | |
| – salaries and wages (including directors' emoluments) | | **600 606** | 377 207 |
| – healthcare costs | | **17 827** | 15 056 |
| – pension fund contributions | | **30 234** | 24 354 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **22. TAXATION AND STATE'S SHARE OF PROFITS** | | |
| South African normal taxation | | |
| – current year | **985 872** | 258 129 |
| – underprovisions relating to prior years | **3 551** | 854 |
| Capital gains tax | **3 130** | 6 239 |
| State's share of profits | **237 848** | 20 452 |
| Deferred taxation | | |
| – temporary differences (current year) | **267 630** | 68 187 |
| – temporary differences (prior years) | **(708)** | – |
| – rate adjustment | **(15 495)** | – |
| Secondary tax on companies | **27 263** | 15 223 |
| | **1 509 091** | 369 084 |
| 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. | **129 619** | 98 218 |
| Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies | **754 528** | 715 332 |
| The group has unused credits in respect of secondary tax on companies of R271,7 million (2007: R92,1 million). No deferred tax asset has been raised on these amounts as there is no certainty that the credits will to be utilised in the foreseeable future. | | |
| **Reconciliation of tax rate (%)** | | |
| Nominal tax rate | **28,00** | 29,00 |
| Adjusted for: | | |
| Dividend income | **(0,05)** | (0,12) |
| Exempt income | **(0,37)** | (1,14) |
| Under provision relating to prior year | **0,06** | 0,07 |
| Capital gains tax | **0,07** | 0,54 |
| State's share of profits | **3,68** | 1,74 |
| Effect of foreign taxation | **0,03** | – |
| Disallowable expenditure | **0,19** | 0,56 |
| Secondary tax on companies | **0,58** | 1,30 |
| Impact of change in tax rate | **(0,33)** | – |
| Other | **0,33** | (0,47) |
| Effective tax rate | **32,19** | 31,48 |
| **23. EARNINGS AND HEADLINE EARNINGS PER SHARE** | | |
| Earnings per share (cents) | **11 406** | 2 863 |
| Headline earnings per share (cents) | **11 362** | 2 720 |
| The above calculations were determined using the following information: | | |
| **Earnings** | | |
| Profit attributable to shareholders of the holding company | **3 069 522** | 774 704 |
| **Headline earnings** | | |
| Earnings as above | **3 069 522** | 774 704 |
| Adjusted for: | | |
| Profit (after tax) on disposal of: | | |
| – property, plant and equipment | **(90)** | (2 104) |
| – available-for-sale investments | **(19 221)** | (36 786) |
| Loss on disposal and scrapping of property, plant and equipment | **7 497** | 207 |
| Headline earnings | **3 057 708** | 736 021 |
| Weighted number of ordinary shares outstanding (R'000) | | |
| Ordinary shares in issue | **28 000** | 28 000 |
| Treasury shares (note 10) | **(1 088)** | (942) |
| Weighted average number of shares outstanding | **26 912** | 27 058 |

| | Note | 2008 R'000 | 2007 R'000 |
|---|---|---|---|
| **24. DIVIDENDS** | | | |
| Dividends declared during the year | | | |
| Final dividend No. 101 of 200 cents (2007: 150 cents) per share | | | |
| – declared on 29 August 2007 | | **56 000** | 42 000 |
| Interim dividend No. 102 of 250 cents (2007: 150 cents) per share | | | |
| – declared on 18 February 2008 | | **70 000** | 42 000 |
| *Less:* Dividends attributable to treasury shares | | **(4 392)** | (2 928) |
| | | **121 608** | 81 072 |
| Per share (cents) | | **452** | 300 |
| **Dividends relating to the activities of the group for the year under review** | | | |
| Interim dividend No. 102 of 250 cents (2007: 150 cents) per share | | | |
| – declared on 18 February 2008 | | **56 000** | 42 000 |
| Final dividend No. 103 of 1000 cents (2007: 200 cents) per share | | | |
| – declared on 27 August 2008 | | **280 000** | 56 000 |
| *Less:* Dividends attributable to treasury shares | | **(42 592)** | (3 416) |
| | | **293 408** | 94 584 |
| Per share (cents) | | **1 090** | 350 |
| **25. NOTES TO THE CASH FLOW STATEMENT** | | | |
| **25.1 Cash generated by operations** | | | |
| Profit before taxation and State's share of profits | | **4 687 456** | 1 172 439 |
| Adjusted for: | | **344 828** | 212 435 |
| – Dividends received | | **(9 002)** | (5 034) |
| – Interest received | | **(67 745)** | (20 676) |
| – Profit on disposal of property, plant and equipment | | **–** | (2 458) |
| – Profit on disposal of available-for-sale investments | | **(22 350)** | (43 025) |
| – Net unrealised foreign exchange gains | | **(27 202)** | – |
| – Net unrealised foreign exchange losses | | **–** | 17 612 |
| – Amortisation of intangibles | 4 | **180** | 180 |
| – Cost of inventories written down | | **2 054** | 1 255 |
| – Depreciation on property, plant and equipment | 2 | **293 474** | 228 417 |
| – Finance costs | 20 | **71 935** | 34 443 |
| – Environmental provision discount adjustment | | **2 485** | 1 394 |
| – Borrowing costs capitalised | 20 | **(33 919)** | (6 972) |
| – Foreign currency translation reserve | | **11 216** | 530 |
| – Loss on disposal of property, plant and equipment | | **10 040** | 207 |
| – Movements in long-term provisions | | **52 057** | (695) |
| – Movements in short-term provisions | | **63 061** | 6 272 |
| – Provision for impairment of debtors and bad debts written off | | **9** | 10 |
| – Other non-cash flow items | | **(1 465)** | 975 |
| | | **5 032 284** | 1 384 874 |
| **25.2 Dividend income** | | | |
| Credited to the income statement | | **9 002** | 5 034 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2008 (continued)

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **25. NOTES TO THE CASH FLOW STATEMENT (continued)** | | |
| **25.3 Movements in working capital** | | |
| Increase in inventories | **(313 737)** | (81 150) |
| Increase in trade and other receivables | **(1 172 830)** | (168 120) |
| Increase in trade and other payables | **435 450** | 223 022 |
| Increase in short-term finance raised | **2 228 056** | – |
| Payments against short-term provisions | **(2 754)** | (1 937) |
| | **1 174 185** | (28 185) |
| **25.4 Taxation paid** | | |
| Unpaid at beginning of year | **(89 076)** | (56 609) |
| Charged to the income statement | **(1 509 091)** | (369 084) |
| Movement in deferred taxation | **251 429** | 68 186 |
| Unpaid at end of year | **966 127** | 89 076 |
| | **(380 611)** | (268 431) |
| **25.5 Dividends paid** | | |
| Unpaid at beginning of year | **(107)** | (100) |
| Declared and paid during the year | **(126 000)** | (84 000) |
| Dividends attributable to treasury shares | **4 392** | 2 928 |
| Unpaid at end of year | **68** | 107 |
| | **(121 647)** | (81 065) |
| **25.6 Cash resources at end of year** | | |
| Cash resources | **1 952 015** | 280 360 |

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.

## 26. FINANCIAL RISK MANAGEMENT

The group is exposed to various financial risks due to the nature and diversity of its activities and the use of various financial instruments. These risks include:

- Credit risk
- Liquidity risk
- Market risk

Details of the group's exposure to each of the above risks and its objectives, policies and processes for measuring and managing these risks are included specifically in this note and more generally throughout the consolidated financial statements together with information regarding management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework. The Board has delegated its responsibility to the Executive Committee, which is responsible for the development and monitoring of the group's risk management policies. The committee meets on an ad hoc basis and regularly reports to the Board on its activities. The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The roles and responsibilities of the committee include:

- Approval of all counterparties;
- Approval of new instruments;
- Approval of the group's foreign exchange transaction policy;
- Approval of the investment policy;
- Approval of treasury policy; and
- Approval of long-term funding requirements.

The group also has an Internal Audit function, which undertakes regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 26.1 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 creditworthiness of customers and bank counterparties before transactions are concluded. Certain customers who have well established credit accounts are allowed to transact on open accounts. However, customers are generally required to raise letters of credit with banking institutions that have acceptable credit ratings.

Overdue amounts are individually assessed and if it is evident that an amount will not be recovered, it is impaired and legal action is instituted to recover the amounts.

*Credit exposure and concentrations of credit risk*

The carrying amount of financial assets represents the maximum credit exposure at the reporting date and the following table indicates various concentrations of credit risk for all non-derivative financial assets held:

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| Trade receivables | **1 980 966** | 618 196 |
| Local | **242 258** | 615 421 |
| Foreign | **1 738 708** | 2 775 |
| Sundry receivables | **17 576** | 180 323 |
| Local | **17 576** | 180 323 |
| Foreign | **–** | – |
| Total carrying amount per balance sheet | **1 998 542** | 798 519 |

*Ageing*

The ageing of financial assets at the reporting date is included below. The ageing categories include:

| | **2008** | | | | 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Receivables not impaired R'000** | **Receivables impaired R'000** | **Impairment amount R'000** | **Carrying value R'000** | Receivables not impaired R'000 | Receivables impaired R'000 | Impairment amount R'000 | Carrying value R'000 |
| Trade receivables | **1 980 966** | **–** | **–** | **1 980 966** | 618 196 | – | – | 618 196 |
| Not past due, not impaired | **1 980 966** | **–** | **–** | **1 980 966** | 618 196 | – | – | 618 196 |
| Not past due, but impaired | **–** | **–** | **–** | **–** | – | – | – | – |
| Past due | **–** | **–** | **–** | **–** | – | – | – | – |
| Other receivables | **17 576** | **–** | **–** | **17 576** | 180 323 | – | – | 180 323 |
| Not past due, not impaired | **17 576** | **–** | **–** | **17 576** | 180 323 | – | – | 180 323 |
| Not past due, but impaired | **–** | **–** | **–** | **–** | – | – | – | – |
| Past due | **–** | **–** | **–** | **–** | – | – | – | – |
| | **1 998 542** | **–** | **–** | **1 998 542** | 798 519 | – | – | 798 519 |

## 26. FINANCIAL RISK MANAGEMENT (continued)

### 26.1 Credit risk (continued)

*Security held over non-derivative financial assets*

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| Irrevocable confirmed letters of credit | | |
| – Confirmed by local bank | **–** | – |
| – Confirmed by foreign bank | **26 801** | 39 447 |
| | **26 801** | 39 447 |

### 26.2 Liquidity risk

The Executive Committee manages the liquidity structure of the group's assets, liabilities and commitments so as to ensure that cash flows are sufficiently balanced within the group as a whole. Updated cash flow information and projections of future cash flows are received from the group companies on a regular basis (depending on the type of funding required). Measures have been introduced to ensure that the cash flow information received is accurate and complete.

Surplus funds are deposited in liquid assets (ie negotiable certificates of deposits and call deposits) (refer to note 25.6).

*Undrawn credit facilities*

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:

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **Assore Limited** | | |
| Authorised in terms of the Articles of Association | **200 000** | 200 000 |
| *Less:* External borrowings at year-end | **–** | – |
| Unutilised borrowing capacity | **200 000** | 200 000 |
| **Assmang Limited** | | |
| Authorised in terms of the Articles of Association | **4 986 084** | 2 457 643 |
| *Less:* External borrowings at year-end | | |
| – Long-term borrowings | **(13 805)** | (18 283) |
| – Overdrafts and short-term borrowings | **(255 915)** | (302 848) |
| Unutilised borrowing capacity | **4 716 364** | 2 136 512 |
| **Minerais U.S. LLC** | | |
| Authorised in terms of the Articles of Association | **392 015** | 280 652 |
| External borrowings at year-end | **(137 519)** | (241 922) |
| Unutilised borrowing capacity | **254 496** | 38 730 |

The general banking facilities are unsecured, bear interest at a rate linked to prime, have no specific maturity date and are subject to annual review. The facilities are in place to issue letters of credit, bank guarantees and ensure liquidity.

*Exposure to liquidity risk*

The following are the cash flows of the group's financial assets and liabilities at year-end determined at contracted, undiscounted value including interest receipts and payments but excluding the impact of any netting agreements with the third parties concerned.

| 2008 | Carrying amount R'000 | Total cash flows R'000 | Less than 4 months R'000 | Between 4 and 12 months R'000 | Between 1 and 5 years R'000 | More than 5 years R'000 |
|---|---|---|---|---|---|---|
| *Financial assets* | | | | | | |
| Available-for-sale investments | **590 191** | **590 191** | **–** | **–** | **–** | **590 191** |
| Trade and other receivables | **1 998 542** | **1 998 542** | **1 998 542** | **–** | **–** | **–** |
| Treasury shares | **2 341 725** | **2 341 725** | **2 341 725** | **–** | **–** | **–** |
| Cash deposits held by environmental trusts | **36 942** | **36 942** | **36 942** | **–** | **–** | **–** |
| Cash resources | **1 952 015** | **1 952 015** | **1 952 015** | **–** | **–** | **–** |
| | **6 919 415** | **6 919 415** | **6 329 224** | **–** | **–** | **590 191** |
| *Financial liabilities* | | | | | | |
| Interest-bearing borrowings | **19 135** | **19 135** | **1 777** | **3 553** | **13 805** | **–** |
| Preference shares issued | **58 987** | **58 987** | **58 987** | **–** | **–** | **–** |
| Share warehousing facility | **2 228 056** | **2 228 056** | **2 228 056** | **–** | **–** | **–** |
| Trade and other payables | **1 043 517** | **1 043 517** | **1 043 517** | **–** | **–** | **–** |
| | **3 349 695** | **3 349 695** | **3 332 337** | **3 553** | **13 805** | **–** |
| 2007 | | | | | | |
| *Financial assets* | | | | | | |
| Available-for-sale investments | 236 119 | 236 119 | – | – | – | 236 119 |
| Trade and other receivables | 798 519 | 798 519 | 798 519 | – | – | – |
| Treasury shares | 86 262 | 86 262 | 86 262 | – | – | – |
| Cash deposits held by environmental trusts | 36 942 | 29 097 | 29 097 | – | – | – |
| Cash resources | 1 952 015 | 280 360 | 280 360 | – | – | – |
| | 3 109 857 | 1 430 357 | 1 194 238 | – | – | 236 119 |
| *Financial liabilities* | | | | | | |
| Interest-bearing borrowings | 22 786 | 22 786 | 1 501 | 3 002 | 18 283 | – |
| Preference shares issued | 56 929 | 56 929 | 56 929 | – | – | – |
| Trade and other payables | 608 106 | 608 106 | 608 106 | – | – | – |
| | 687 821 | 687 821 | 666 536 | 3 002 | 18 283 | – |

### 26.3 Market risk

Market risk is defined as the risk that movements in market risk factors, in particular US dollar commodity prices and the US dollar/SA rand exchange rate will affect the group's revenue and operational costs as well as the value of its holdings of financial instruments. The objective of the group's market risk management policy is to manage and control market risk exposures to minimise the impact of adverse market movements with respect to revenue protection and to optimise the funding of the business operations.

The group companies are responsible for the preparation and presentation of market risk information as it affects the relevant entity. Information is submitted to the Executive Committee where it is monitored and further analysed to be used in the decision-making process. The information submitted includes information on currency, interest rate and commodities and is used by the committee to determine the market risk strategy going forward. In addition, key market risk information is reported to the Executive Committee on a weekly basis and forecasts against budget are prepared for the entire group on a monthly basis.

## 26. FINANCIAL RISK MANAGEMENT (continued)

### 26.3 Market risk (continued)

*Interest rate risk*

Interest rate risk arises due to adverse movements in domestic and foreign interest rates. The group is primarily exposed to downward interest rate movements on floating investments purchased and to upward movements on overdrafts and other borrowings. There is no other exposure to fair value interest rate risk as all fixed rate financial instruments are measured at amortised cost.

The Board determines the interest rate risk strategy based on economic expectations and recommendations received from the Executive Committee. Interest rates are monitored on a regular basis and the policy is to maintain short-term cash surpluses at floating rates of interest.

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was as follows:

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| Variable rate instruments | | |
| Liabilities | | |
| Overdrafts and short-term borrowings | **388 103** | 540 267 |
| Preference shares | **58 987** | 56 929 |
| Finance leases | **19 135** | 22 786 |
| Share warehousing facility | **2 228 056** | – |
| Assets | | |
| Cash and cash equivalents | **1 952 015** | 280 360 |

**Fair value sensitivity analysis for fixed rate instruments**

The group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

An increase of 50-basis points in interest rates at the reporting date would have decreased profit by the amounts shown below. This assumes that all other variables remain constant. There is no impact on the group's equity.

| | 2008 | 2007 |
|---|---|---|
| Cash and cash equivalents | **(10,2)** | (4,7) |

Net effect on profit or loss is equal but opposite for a 50-basis points increase on the financial instruments listed above.

*Commodity price and currency risk*

Commodity price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in metal and ore prices. The group has transactional foreign exchange exposures. Such exposure arises from sales or purchases by the group in currencies other than the group's functional currency. The market is predominantly priced in US dollars and euros which exposes the group to the risk that fluctuations in the SA rand exchange rates may have an adverse effect on current or future earnings.

The group manages its commodity price risk by entering into supply contracts with customers covering periods of between three months and a year, depending on the commodity traded. With respect to its exposure to foreign currency fluctuations. the group constantly reviews the extent to which its foreign currency receivables and payables are covered by forward exchange contracts taking into account changes in operational forecasts and market conditions and the group's hedging policy. No speculating in foreign currency is allowed within the group.

The group's exposure to currency risk was as follows based on the notional amounts:

| | **2008 US dollar (USD) R'000** | **2008 Euro (EUR) R'000** | 2007 US dollar (USD) R'000 | 2007 Euro (EUR) R'000 |
|---|---|---|---|---|
| Assets | **212 349** | **7 274** | 51 693 | 6 708 |
| Trade receivables | **212 349** | **7 274** | 51 693 | 6 708 |
| Liabilities | **(225)** | **(997)** | (500) | (209) |
| Trade payables | **(225)** | **(997)** | (500) | (209) |
| Gross balance sheet exposure | **212 124** | **6 277** | 51 194 | 6 499 |
| Estimated forecast sales | **1 469 043** | **40 530** | 424 601 | 20 864 |
| Estimated forecast purchases | **–** | **(342)** | – | (889) |
| Gross exposure | **1 681 167** | **46 465** | 475 795 | 26 473 |
| Forward exchange contracts | | | | |
| – Export sales | **–** | **–** | – | – |
| – Import | **–** | **–** | – | – |
| **Net exposure** | **1 681 167** | **46 465** | 475 795 | 26 473 |
| A 5% strengthening of the rand against the above currencies at 30 June would have decreased profit by the following amounts: | | | | |
| **Group** | **83 156** | **3 881** | 17 959 | 3 085 |

A 5% weakening of the rand against the above currencies at 30 June would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant. There is no impact on the group's equity.

*Forward exchange contracts*

The group did not have any open forward exchange contracts at year-end (2007: Nil)

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Foreign currency notional amount USD** | **Legal currency amount R'000** | **Fair value R'000** | Foreign currency notional amount USD | Legal currency amount R'000 | Fair value R'000 |
| Other | | | | | | |
| Forward commitments of a foreign subsidiary with regard to its inventory of ores, alloys and metals: | | | | | | |
| Purchase contracts | | | | | | |
| US dollar | **37 700** | **280 047** | **280 047** | 22 300 | 157 467 | 157 467 |
| | | **280 047** | **280 047** | | 157 467 | 157 467 |
| Sales contracts | | | | | | |
| US dollar | **68 400** | **508 096** | **508 096** | 70 000 | 494 291 | 494 291 |
| | | **508 096** | **508 096** | | 494 291 | 494 291 |

## 26. FINANCIAL RISK MANAGEMENT (continued)

### 26.4 Fair value of financial assets and liabilities

The categorisation of each class of financial asset and liability, including their fair values, are included below:

| 2008 | Note | Available-for-sale R'000 | Loans and receivables R'000 | Liabilities at amortised cost R'000 | Other assets and liabilities R'000 | Total carrying value R'000 | Fair value R'000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Available-for-sale investments | 5 | **590 191** | **–** | **–** | **–** | **590 191** | **590 191** |
| Trade and other receivables | 7 | **–** | **1 998 542** | **–** | **–** | **1 998 542** | **1 998 542** |
| Treasury shares | 10 | **–** | **–** | **–** | **2 341 725** | **2 341 725** | **2 341 725** |
| Cash deposits held by environmental trusts | | **–** | **36 942** | **–** | **–** | **36 942** | **36 942** |
| Cash resources | 25.6 | **–** | **1 952 015** | **–** | **–** | **1 952 015** | **1 952 015** |
| | | **590 191** | **3 987 499** | **–** | **2 341 725** | **6 919 415** | **6 919 415** |
| **Financial liabilities** | | | | | | | |
| Interest-bearing borrowings | 12 | **–** | **–** | **72 792** | **–** | **72 792** | **72 792** |
| Trade and other payables | 15 | **–** | **–** | **1 043 517** | **–** | **1 043 517** | **1 043 517** |
| Overdrafts and short-term borrowings | 18 | **–** | **–** | **393 433** | **–** | **393 433** | **393 433** |
| | | **–** | **–** | **1 509 742** | **–** | **1 509 742** | **1 509 742** |
| 2007 | | | | | | | |
| **Financial assets** | | | | | | | |
| Available-for-sale investments | 5 | 236 119 | – | – | – | 236 119 | 236 119 |
| Trade and other receivables | 7 | – | 798 519 | – | – | 798 519 | 798 519 |
| Treasury shares | 10 | – | – | – | 86 262 | 86 262 | 86 262 |
| Cash deposits held by environmental trusts | | – | 29 097 | – | – | 29 097 | 29 097 |
| Cash resources | 25.6 | – | 280 360 | – | – | 280 360 | 280 360 |
| | | 236 119 | 1 107 976 | – | 86 262 | 1 430 357 | 1 430 357 |
| **Financial liabilities** | | | | | | | |
| Interest-bearing borrowings | 12 | – | – | 75 212 | – | 75 212 | 75 212 |
| Trade and other payables | 15 | – | – | 608 106 | – | 608 106 | 608 106 |
| Overdrafts and short-term borrowings | 18 | – | – | 544 770 | – | 544 770 | 544 770 |
| | | – | – | 1 228 088 | – | 1 228 088 | 1 228 088 |

**Determination of fair values**

Quoted market prices at reporting date have been used to determine the fair value of loan and receivables and interest-bearing borrowings. Where there is no quoted market price a valuation technique, most commonly discounted cash flows, was used. For trade receivables and payables, the fair value was determined using discounted cash flow method at market related interest rate. Carrying amounts approximate fair value for all other financial assets and liabilities.

## 27. CAPITAL MANAGEMENT

As the bulk of the group's sales are for export, the principal risks to which the group is exposed are movements in exchange rates and international market prices for the commodities which it deals mainly in manganese, iron and chrome ores and to a lesser extent ferromanganese and ferrochrome. All these markets are prices principally in US dollars and these risks are to a large extent not controllable by the group other than by the use of hedging instruments.

The group holds mineral rights over resources with remaining lines which vary in accordance with current prices (refer Resources and Reserves Statement). Decisions to exploit resources are made at Board level and only following the completion of a bankable study based on the current life of mine and estimated capital cost, operating cost and cost of finance, where required, so that the deposit can be mined on a sustainable basis to the end of its estimated life.

The Board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The group considers its capital to comprise of total equity. The group may adjust its capital structure by way of issuing new shares and is dependent on its shareholders for additional capital as required. The group manages its capital structure in light of changes in economic conditions and the Board of Directors monitors the capital adequacy, solvency and liquidity of the group on a continuous basis.

There were no changes in the group's approach to capital management during the year.

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **28. COMMITMENTS** | | |
| Capital | | |
| Expenditure authorised but not contracted for | **306 453** | 773 408 |
| Expenditure authorised and contracted for | **550 841** | 1 921 773 |
| | **857 294** | 2 695 181 |
| 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: | | |
| 2008 | | 1 376 203 |
| 2009 | **857 294** | 1 085 138 |
| 2010 | **–** | 233 840 |
| | **857 294** | 2 695 181 |
| Operating lease commitments | | |
| Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows: | | |
| Within one year | **683** | 617 |
| After one year but not more than five years | **2 265** | 2 638 |
| | **2 948** | 3 255 |
| **29. CONTINGENT LIABILITIES** | | |
| Holding company | | |
| Holding company guarantees issued to bankers as security for banking facilities provided to subsidiary companies | **392 015** | 329 766 |
| Performance guarantees issued to customers by subsidiary companies | **32 034** | 33 079 |
| | **424 049** | 362 845 |

The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2007: 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 that 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 mediation, 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 transaction**

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 facility extended to Mampa which at year-end amounted to Rnil million (2007: R9,0 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2008 (continued)

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **30. INVESTMENT IN JOINT VENTURE ENTITY** | | |
| 50% (2007: 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 | **7 417 728** | 3 063 715 |
| Cost of sales | **(3 210 092)** | (2 038 296) |
| Gross profit | **4 207 636** | 1 025 419 |
| Other operating income | **(6 847)** | (7 635) |
| Other operating expenses | **(125 681)** | (52 293) |
| Income from investments | **35 957** | 5 622 |
| Finance costs | **(14 448)** | (7 762) |
| Profit before taxation and State's share of profits | **4 096 617** | 963 351 |
| **Balance sheet** | | |
| Property, plant, equipment and intangibles | **3 891 288** | 2 763 261 |
| Other investments | **1** | – |
| Current assets | **4 176 085** | 1 426 010 |
| Elimination of investment in joint venture entity | **(468 153)** | (468 153) |
| Current liabilities – interest-bearing | **255 915** | 302 848 |
| – non-interest-bearing | **1 640 895** | 545 843 |
| Long-term borrowings – interest-bearing | **13 806** | 18 283 |
| Deferred taxation | **829 536** | 590 104 |
| Long-term provisions | **133 196** | 54 134 |
| Distributable reserves | **4 725 873** | 2 209 906 |
| **Cash flows** | | |
| Cash retained from operating activities | **2 765 449** | 864 480 |
| Cash utilised in investing activities | **(1 359 832)** | (1 075 455) |
| Cash (utilised in)/generated by financing activities | **(51 474)** | 244 061 |
| Cash resources | **1 422 200** | 68 057 |
| **Commitments** | | |
| Future capital expenditure: | | |
| – contracted for | **435 817** | 1 824 501 |
| – not contracted for | **300 893** | 763 849 |
| | **736 710** | 2 588 350 |

**Contingent liabilities**

Contingent liabilities relating to the group's interest in the joint venture are referred to in note 29.

## 31. 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 benefication 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 below:

| | **Group revenue by segment 2008 R'000** | Group revenue by segment 2007 R'000 | **Group receivables by segment 2008 R'000** | Group receivables by segment 2007 R'000 |
|---|---|---|---|---|
| Customers by locations | | | | |
| USA | **2 240 576** | 1 416 271 | **180 655** | 164 396 |
| Far East | **3 419 969** | 1 005 597 | **681 430** | 141 619 |
| Europe | **1 834 669** | 1 019 032 | **400 484** | 190 252 |
| South Africa | **1 123 965** | 486 919 | **(107 714)** | 267 901 |
| Other – foreign | **926 630** | 514 217 | **843 687** | 34 351 |
| | **9 545 809** | 4 442 036 | **1 998 542** | 798 519 |

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS for the year ended 30 June 2008 (continued)

## 31. SEGMENTAL INFORMATION (continued)

| R'000 | Joint venture mining and beneficiation Iron Ore Division | Manganese Division | Chrome Division | Subtotal | Marketing and shipping | Other mining and beneficiation | Adjustments arising on consolidation | Total |
|---|---|---|---|---|---|---|---|---|
| **Primary segmental information** | | | | | | | | |
| **Year to 30 June 2008** | | | | | | | | |
| *Income statement* | | | | | | | | |
| Revenue | **1 387 825** | **4 776 100** | **1 253 803** | **7 417 728** | **2 452 074** | **275 345** | **(599 338)** | **9 545 809** |
| Contribution to earnings | **389 581** | **2 037 720** | **340 645** | **2 767 946** | **742 207** | **41 111** | **(372 899)** | **3 178 365** |
| Contribution to headline earnings | **389 850** | **2 043 557** | **341 514** | **2 774 921** | **725 879** | **42 035** | **(481 744)** | **3 061 091** |
| *Balance sheet* | | | | | | | | |
| Consolidated total assets | **2 161 928** | **4 709 277** | **1 007 681** | **7 878 886** | **3 151 164** | **1 237 651** | **(2 206 263)** | **10 061 438** |
| Consolidated total liabilities | **867 088** | **1 612 995** | **412 719** | **2 892 802** | **1 352 626** | **486 857** | **1 106 753** | **5 839 038** |
| *Other information* | | | | | | | | |
| Capital expenditure | **1 115 603** | **255 412** | **78 968** | **1 449 983** | **3 930** | **92 023** | **(410)** | **1 545 526** |
| Depreciation and amortisation | **120 587** | **91 990** | **54 996** | **267 573** | **2 285** | **6 362** | **17 434** | **293 654** |
| Net cash inflow from operating activities | **354 970** | **2 087 438** | **323 041** | **2 765 449** | **809 887** | **64 538** | **2 051 733** | **5 691 607** |
| Cash outflow from investing activities | **(1 040 005)** | **(244 231)** | **(75 596)** | **(1 359 832)** | **(125 965)** | **(110 161)** | **(2 269 212)** | **(3 865 170)** |
| Cash (outflow)/inflow from financing activities | **140 528** | **–** | **(192 002)** | **(51 474)** | **(381 117)** | **56 801** | **221 008** | **(154 782)** |
| **Year to 30 June 2007** | | | | | | | | |
| *Income statement* | | | | | | | | |
| 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 |
| *Balance sheet* | | | | | | | | |
| 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 |
| *Other information* | | | | | | | | |
| 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/(outflow) 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 |

| | 2008 R'000 | 2007 R'000 |
|---|---|---|
| **32. 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 company** | | |
| Assmang Limited | | |
| – gross commissions received | **520 103** | 208 818 |
| – amounts payable to related parties at year-end | **68 848** | 8 857 |
| – amounts receivable from related parties at year-end | **35 786** | 10 656 |
| Refer to note 30 for details of the joint venture entity | | |
| **Subsidiary companies** | | |
| Key management personnel of the group | **109 091** | 55 260 |
| **Foreign subsidiary** | | |
| Minerais U.S. LLC | | |
| – commissions received | **36 332** | 13 079 |
| – amounts receivable from related party transactions at year-end | **92 312** | 8 999 |

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 29 for details of security and guarantees provided on behalf of related parties.

## 33. RETIREMENT BENEFIT INFORMATION

### 33.1 Pensions

The group provides retirement benefits through defined benefit pension funds and defined contribution provident funds.

**Defined benefit fund – Assore Pension Fund**

The pension fund is a defined benefit fund. The most recent statutory actuarial valuation of the fund was performed as at 1 July 2005 and revealed a 93,2% funding level. An interim funding check was performed for financial reporting purposes as at 1 July 2008 which revealed a 104,5% funding level (2007: 113,5%). The financial positions at the various dates are set out below:

| | **Interim funding check 1 July 2008 R'000** | Interim funding check 1 July 2007 R'000 | Statutory valuation 1 July 2005 R'000 |
|---|---|---|---|
| Value of assets | **234 495** | 217 597 | 121 918 |
| Value of liabilities | **224 319** | 191 661 | 130 749 |
| Surplus/(shortfall) | **10 176** | 25 936 | (8 831) |
| (Surplus)/deficit not recognised as an asset | **(10 176)** | (25 936) | 8 831 |
| Net position | – | – | – |

Contributions to the fund by the group which were expensed during the year amounted to R10,0 million (2007: R8,6 million)

| The principal actuarial assumptions for the valuations include: | **2008 %** | 2007 % | 2005 % |
|---|---|---|---|
| – Pre-retirement discount rate | **10,90** | 8,30 | 7,50 |
| – Price inflation rate | **8,70** | 5,40 | 5,00 |
| – Salary inflation rate | **9,60** | 6,40 | 6,00 |
| – Pension increases | **6,52** | 4,10 | 3,75 |
| – Post-retirement interest rate | **4,40** | 4,00 | 4,50 |

## 33. RETIREMENT BENEFIT INFORMATION (continued)

### 33.1 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.

Statutory valuations are carried out every three years and the next valuation is due to be performed as at 1 July 2008.

#### Defined contribution plan – Assmang Pension and Provident Funds

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 cost is recognised immediately.

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 R20,2 million (2007: R15,8 million).

### 33.2 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 R3,0 million (2007: R2,9 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 (refer note 14).

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

| | **2008 R'000** | 2007 R'000 |
|---|---|---|
| Current service cost | **651** | 438 |
| Interest cost on benefit obligation | **1 429** | 2 062 |
| Benefits | **(595)** | (560) |
| Net actuarial gain recognised during the year | **867** | (6 685) |
| Net benefit movement for the year | **2 352** | (4 745) |

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; and
- 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 R18,5 million (2007: R16,2 million) at the end of the year. Of this amount R2,4 million (2007: R4,7 million) 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 R29,7 million (2007: R24,3 million).