

NOTES TO THE COMPANY FINANCIAL STATEMENTS for the year ended 30 June 2008

	Issued share capital 2008/2007 R	Direct interest in share capital 2008/2007 %	Shares at cost 2008/2007 R'000	Amounts due from/(to) subsidiary companies 2008 2007 R'000 R'000	
I. INTEREST OF COMPANY IN ITS SUBSIDIARY COMPANIES					
Incorporated in South Africa					
Ordinary shares					
African Mining and Trust Company Limited	1 000 000	100	1 200	110 465	94 830
Ceramox (Proprietary) Limited	100	100	1 124	–	–
Erven 40 and 41 Illovo (Proprietary) Limited	100	100	–	–	–
Erven 27 and 28 Illovo (Proprietary) Limited	100	100	–	–	–
Erf 1263 Parkview Extension 1 (Proprietary) Limited	1	100	–	–	–
General Nominees (Proprietary) Limited ^	4	100	–	–	–
Main Street 460 (Proprietary) Limited	100	100	–	34 672	7 640
Ore & Metal Company Limited	100 000	100	105	(262 080)	(262 080)
Rustenburg Minerals Development Company (Proprietary) Limited	232 143	56	–	–	–
Wonderstone Limited	10 000	100	10	–	–
Wonderstone 1937 Limited ^	45 940	100	35	–	–
Xertech (Proprietary) Limited	100	100	–	–	–
Zeerust Chrome Mines Limited	1 300 000	100	1 114	–	–
Incorporated in Namibia					
Krantzberg Mines Limited ^	500 000	100	–	–	–
Incorporated in Mozambique					
Amhold Limitada ^	2	100	–	–	–
Incorporated in United States of America					
Minerais US LLC	17 756 100	51	11 418	–	–
Preference shares					
Main Street 350 (Proprietary) Limited	5	–	25 000	2	1
			40 006	(116 941)	(159 609)
Less: – held indirectly			(11 452)		
– provided against			(1 114)		
Per note 2			27 440	(116 941)	(159 609)

^ Dormant companies

	2008 R'000	2007 R'000
2. INVESTMENT IN GROUP COMPANIES		
Joint venture entity (refer note below)	468 153	468 153
Subsidiary companies (refer note below)	27 440	27 440
	495 593	495 593
Investment in joint venture entity		
Assmang Limited		
1 774 103 (2007:1 774 103) ordinary shares at cost	468 153	468 153
Investment in subsidiary companies (refer to note 1)		
Shares at cost	27 440	27 440
Amounts due (to)/by subsidiary companies		
Loan accounts receivable	145 074	67 641
Current accounts receivable	65	34 830
Loan accounts payable	(262 080)	(262 080)
	(116 941)	(159 609)
The loans due to and from subsidiary companies are interest free and have no fixed repayment dates.		
3. AVAILABLE-FOR-SALE INVESTMENTS		
Listed – at market value	590 065	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	209 669	76 791
Unlisted – at cost and directors' valuation	125	125
	590 190	236 119
Listed – at cost	181 436	37 033
Fair value adjustment transferred to other reserves (refer note 6)	408 630	198 961
As above	590 065	235 994
4. SHARE CAPITAL		
Authorised		
40 000 000 (2007: 40 000 000) ordinary shares of 2,5 cents each	1 000	1 000
Balance at beginning and end of year (28 000 000 ordinary shares of 2,5 cents each)	700	700
5. SHARE PREMIUM		
Balance at beginning and end of year	30 358	30 358
6. OTHER RESERVES		
Surplus on the revaluation to fair value (after tax) of available-for-sale investments	408 630	198 961
Less: Deferred capital gains taxation	(56 992)	(29 317)
	351 638	169 644
7. DEFERRED TAXATION		
Balance at beginning of year	29 317	21 751
Arising on the revaluation of available-for-sale investments at year-end. (refer note 6)	27 382	7 566
Rate adjustment	293	–
Balance at end of year	56 992	29 317

	2008	2007
	R'000	R'000
8. REVENUE		
Revenue comprises:		
Dividends received	248 506	120 351
Interest received	1 307	1 764
	249 813	122 115
9. PROFIT BEFORE TAXATION		
Profit before taxation is stated after taking into account the following items of income and expenditure:		
Income		
Dividends received	248 506	120 351
Joint venture entity	239 504	115 317
Available-for-sale investments	9 002	5 034
Interest received	1 307	1 764
Expenditure		
Auditors' remuneration – audit fees	94	71
– audit fees	83	71
– underprovision in prior year	11	–
Directors' remuneration	60 028	36 456
– directors' fees	923	778
– other services	59 105	35 678
10. TAXATION		
South African normal tax		
– current year	365	508
– underprovisions relating to prior years	–	13
Capital gains tax	3 129	6 239
	3 494	6 760
The company 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	(29,32)	(21,28)
Exempt income	(2,64)	(7,61)
Capital gains tax on disposal of available-for-sale investments	1,32	3,80
Underprovisions prior years	–	0,01
Disallowable expenditure	4,11	0,19
Other	–	0,01
Effective tax rate	1,47	4,12

	2008 R'000	2007 R'000
11. DIVIDENDS		
Dividends declared		
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
	126 000	84 000
Per share (cents)	450	300
Dividends relating to the activities of the company for the year under review		
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
	350 000	98 000
Per share (cents)	1 250	350
12. NOTES TO THE CASH FLOW STATEMENTS		
12.1 Cash utilised in operations		
Profit before taxation	237 320	164 030
Adjusted for:	(268 563)	(165 130)
– Dividends received	(248 506)	(120 351)
– Interest received	(1 307)	(1 764)
– Profit on disposal of available-for-sale investments	(22 350)	(43 025)
– Finance costs	3 600	10
	(31 243)	(1 100)
12.2 Investment income		
Credited to the income statement	248 506	120 351
12.3 Movements in working capital		
Increase in trade and other receivables	(134)	–
Decrease/(increase) in amounts owing by group companies	34 765	(14 714)
Increase/(decrease) in trade and other payables	28 244	(12)
	62 875	(14 726)
12.4 Taxation paid		
Unpaid at beginning of year	(6 741)	(16 854)
Charged to the income statements	(3 494)	(6 760)
Unpaid at end of year	3 117	6 741
	(7 118)	(16 873)
12.5 Dividends paid		
Unpaid at beginning of year	(107)	(100)
Declared during the year	(126 000)	(84 000)
Unpaid at end of year	68	107
	(126 039)	(83 993)

13. FINANCIAL RISK MANAGEMENT

The company 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 company'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 company's financial statements together with information regarding management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework. The Board has delegated its responsibility to the Executive Committee, which is responsible for the development and monitoring of the company's risk management policies. The committee meets on an ad hoc basis and regularly reports to the Board on its activities. The company's risk management policies are established to identify and analyse the risks faced by the company, 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 company's activities.

The roles and responsibilities of the committee include:

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

The company 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.

13.1 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	134	–
Local	134	–
Foreign	–	–
Total carrying amount per balance sheet	134	–

13. FINANCIAL RISK MANAGEMENT (continued)**13.1 Credit risk (continued)***Ageing*

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

	2008				2007			
	Receivables not impaired	Receivables impaired	Impairment amount	Carrying value	Receivables not impaired	Receivables impaired	Impairment amount	Carrying value
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Trade receivables	134	-	-	134	-	-	-	-
Not past due, not impaired	134	-	-	134	-	-	-	-
Not past due, but impaired	-	-	-	-	-	-	-	-
Past due	-	-	-	-	-	-	-	-
	134	-	-	134	-	-	-	-

Security held over non-derivative financial assets

Trade receivables are unsecured.

13.2 Liquidity risk

The Executive Committee manages the liquidity structure of the company's assets, liabilities and commitments so as to ensure that cash flows are sufficiently balanced within the company as a whole.

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

Undrawn credit facilities

The borrowing capacity of the company is limited by its Articles of Association and is based on its aggregate issued and paid up share capital, share premium and retained earnings. The extent of the facilities available to the company are set out below:

	2008 R'000	2007 R'000
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

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 company's financial assets and liabilities at year-end determined at contractual, 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
<i>Financial assets</i>						
Available-for-sale investments	590 190	590 190	–	–	–	590 190
Investment in group companies	495 593	495 593	–	–	–	495 593
Loans to group companies	145 074	145 074	–	–	–	145 074
Trade and other receivables	134	134	134	–	–	–
Amounts due from group companies	65	65	65	–	–	–
Cash resources	71	71	71	–	–	–
	1 231 127	1 231 127	270	–	–	1 230 857
<i>Financial liabilities</i>						
Loans from group companies	262 080	262 080	–	–	262 080	–
Trade and other payables	28 378	28 378	28 378	–	–	–
	290 458	290 458	28 378	–	262 080	–
2007						
<i>Financial assets</i>						
Available-for-sale investments	236 119	236 119	–	–	–	236 119
Investment in group companies	495 593	495 593	–	–	–	495 593
Loans to group companies	67 641	67 641	–	–	–	67 641
Trade and other receivables	–	–	–	–	–	–
Amounts due from group companies	34 830	34 830	34 830	–	–	–
Cash resources	54 868	54 868	54 868	–	–	–
	889 051	889 051	89 698	–	–	799 353
<i>Financial liabilities</i>						
Loans from group companies	262 080	262 080	–	–	262 080	–
Trade and other payables	173	173	173	–	–	–
	262 253	262 253	173	–	262 080	–

13.3 Market risk

Market risk is defined as the risk that movements in market risk factors will affect the company's revenue and operational costs as well as the value of its holdings of financial instruments. The objective of the company'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.

Market risk information is prepared and 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 and interest rates 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 on a monthly basis.

Interest rate risk

Interest rate risk arises due to adverse movements in domestic and foreign interest rates. The company 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.

13. FINANCIAL RISK MANAGEMENT (continued)

13.3 Market risk (continued)

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

	2008 R'000	2007 R'000
Variable rate instruments		
Assets		
Cash and cash equivalents	71	54 868
Fair value sensitivity analysis for fixed rate instruments		
The company 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 increased profit by the amounts shown below. This assumes that all other variables remain constant. There is no impact on the company's equity.		
Cash and cash equivalents	-	1
Net effect on profit or loss is equal but opposite for a 50-basis points increase on the financial instruments listed above.		

13.4 Fair value of financial assets and liabilities

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

		Available- for-sale R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Total carrying value R'000	Fair value R'000
2008	Note					
Financial assets						
Available-for-sale investments	3	590 190	-	-	590 190	590 190
Investment in group companies	2	495 593	-	-	495 593	495 593
Loans to group companies		-	145 074	-	145 074	145 074
Trade and other receivables		-	134	-	134	134
Amounts due from group companies		-	65	-	65	65
Cash resources		-	71	-	71	71
		1 085 783	145 344	-	1 231 127	1 231 127
Financial liabilities						
Loans from group companies		-	-	262 080	262 080	262 080
Trade and other payables		-	-	28 378	28 378	28 378
		-	-	290 458	290 458	290 458
2007						
Financial assets						
Available-for-sale investments	3	236 119	-	-	236 119	236 119
Investment in group companies	2	495 593	-	-	495 593	495 593
Loans to group companies		-	67 641	-	67 641	67 641
Trade and other receivables		-	-	-	-	-
Amounts due from group companies		-	34 830	-	34 830	34 830
Cash resources		-	54 868	-	54 868	54 868
		731 712	157 339	-	889 051	889 051
Financial liabilities						
Loans from group companies		-	-	262 080	262 080	262 080
Trade and other payables		-	-	173	173	173
		-	-	262 253	262 253	262 253

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.

14. CAPITAL MANAGEMENT

The company holds interests in companies that own mineral rights over resources with remaining lines which vary in accordance with current prices (refer Resources and Reserves Statement). Decisions to exploit resources would be made at Board level and only following the completion of a bankable feasibility 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 company considers its capital to comprise of total equity. The company may adjust its capital structure by way of issuing new shares and is dependent on its shareholders for additional capital as required. The company 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 company on a continuous basis.

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

	2008 R'000	2007 R'000
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15. CONTINGENT LIABILITIES**Guarantees**

Guarantees issued to bankers as security for facilities provided to subsidiary companies

392 015

329 766

Joint venture entity

The company has 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.

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 company has also provided a guarantee to secure the banking facilitation extended to Mampa which at year-end amounted to Rnil million (2007: R9,0 million). The company in turn holds a back-to-back pledge over Mampa's interest in RMDC in the event that the guarantee is called up.