



## COMMENTARY

### Results

Headline earnings for the financial year to 30 June 2013 have decreased marginally by 4,7% on the previous year to R3,5 billion (2012: R3,7 billion). This reduction is mainly due to the decline in the headline earnings of Assmang Limited (Assmang), which decreased by 7,1% to R6,5 billion (2012: R7,0 billion), compared to the previous financial year. Increased turnover in Assmang resulted in higher commissions earned by the Group, partly limiting the extent of the decline in headline earnings and whilst these earnings for the six months ended 31 December 2012 amounted to R1,1 billion, second half headline earnings amounted to R2,4 billion for the reasons set out in the narrative below.

## Consolidated income statement

R'000	Year ended 30 June 2013 Unaudited	Year ended 30 June 2012 Audited
<b>Revenue</b>	<b>14 175 175</b>	<b>13 612 731</b>
Turnover	13 500 864	12 947 766
Cost of sales	(7 803 491)	(7 337 643)
Gross profit	5 697 373	5 610 123
Other income	1 273 876	1 984 313
Other expenses	(2 014 974)	(1 792 466)
Finance costs	(116 786)	(217 244)
Profit before taxation	4 839 489	5 584 726
Taxation	(1 411 121)	(1 537 692)
<b>Profit for the year</b>	<b>3 428 368</b>	<b>4 047 034</b>
Attributable to:		
Shareholders of the holding company	3 425 644	4 033 013
Non-controlling shareholders	2 724	14 021
As above	3 428 368	4 047 034
Earnings as above	3 425 644	4 033 013
Profit on disposal (net of tax) of available-for-sale investments	(22 657)	(406 092)
Impairment of non-financial assets	112 262	82 705
Loss/(profit) on disposal of fixed assets	17 240	(1 863)
<b>Headline earnings</b>	<b>3 532 489</b>	<b>3 707 763</b>
Earnings per share (basic and diluted – cents)	3 319	3 827
Headline earnings per share (basic and diluted – cents)	3 423	3 519
Dividends per share declared in respect of the profit for the year (cents)	600	550
– Interim	250	250
– Final	350	300
Weighted average number of ordinary shares (million)		
Ordinary shares in issue	139,61	139,61
Weighted impact of treasury shares held in BEE trusts	(36,40)	(34,24)
	103,21	105,37

## Consolidated statement of comprehensive income

R'000	Year ended 30 June 2013 Unaudited	Year ended 30 June 2012 Audited
<b>Profit for the year (as above)</b>	<b>3 428 368</b>	<b>4 047 034</b>
Items that may be reclassified into the income statement dependent on the outcome of a future event:	(29 915)	(382 948)
Reclassification of fair value gain on disposal of available-for-sale investments included in income statement, previously recognised in comprehensive income (as above)	(22 657)	(406 092)
Profit on disposal of available-for-sale investments	(27 850)	(472 200)
Deferred capital gains tax thereon	5 193	66 108
(Loss)/profit on revaluation to market value of available-for-sale investments after taxation	(19 465)	9 952
(Loss)/profit on revaluation to market value of available-for-sale investments	(23 928)	15 734
Deferred capital gains taxation	4 463	(5 782)
Exchange differences on translation of foreign operations	12 207	13 192
<b>Total comprehensive income for the year, net of tax</b>	<b>3 398 453</b>	<b>3 664 086</b>
Attributable to:		
Shareholders of the holding company	3 389 747	3 643 469
Non-controlling interests	8 706	20 617
As above	3 398 453	3 664 086

## Consolidated statement of financial position

R'000	At 30 June 2013 Unaudited	At 30 June 2012 Audited
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment and intangible assets	10 455 963	9 529 499
Investments		
– available-for-sale investments	178 428	239 333
– other	41 964	34 725
Other non-current financial assets	194 725	106 665
Total non-current assets	10 871 080	9 910 222
<b>Current assets</b>		
Inventories	2 552 483	2 177 066
Trade and other receivables	2 359 602	2 049 782
Cash resources	4 465 756	3 324 437
Total current assets	9 377 841	7 551 285
<b>TOTAL ASSETS</b>	<b>20 248 921</b>	<b>17 461 507</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Share capital and reserves</b>		
Ordinary shareholders' interest	14 022 511	11 200 402
Non-controlling interests	128 910	126 858
Total equity	14 151 421	11 327 260
<b>Non-current liabilities</b>		
Net deferred taxation liabilities	2 486 435	2 357 001
Long-term liabilities		
– interest-bearing	846 100	1 596 100
– non-interest-bearing	421 287	342 744
Total non-current liabilities	3 753 822	4 295 845
<b>Current liabilities</b>		
Interest-bearing	349 424	192 019
Non-interest-bearing	1 994 254	1 646 383
Total current liabilities	2 343 678	1 838 402
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>20 248 921</b>	<b>17 461 507</b>

## Segmental information

R'000	Joint venture mining and beneficiation			Sub-total	Marketing and shipping	Other mining and beneficiation	Eliminations and adjustments*	Consolidated
	Iron ore	Manganese	Chrome					
<b>Year ended 30 June 2013 – Unaudited</b>								
<b>Revenues</b>								
Revenues received	15 962 985	7 450 238	1 876 674	25 289 897	1 234 680	295 546	(12 644 949)	14 175 175
Inter-segmental transfers	—	—	—	—	439 560	292 570	(732 130)	—
<b>Total revenues</b>	<b>15 962 985</b>	<b>7 450 238</b>	<b>1 876 674</b>	<b>25 289 897</b>	<b>1 674 240</b>	<b>588 116</b>	<b>(13 377 079)</b>	<b>14 175 175</b>
<b>Contribution to attributable profit</b>	<b>5 517 176</b>	<b>827 117</b>	<b>(134 391)</b>	<b>6 209 902</b>	<b>369 761</b>	<b>(49 068)</b>	<b>(3 104 951)</b>	<b>3 425 644</b>
Year ended 30 June 2012 – Audited								
Revenues								
Revenues received	15 323 509	6 669 635	1 983 526	23 976 670	1 327 879	371 327	(12 063 145)	13 612 731
Inter-segmental transfers	—	—	—	—	384 610	260 853	(645 463)	—
Total revenues	15 323 509	6 669 635	1 983 526	23 976 670	1 712 489	632 180	(12 708 608)	13 612 731
Contribution to attributable profit	5 835 547	1 223 279	(174 837)	6 883 989	819 943	(228 924)	(3 441 995)	4 033 013

\*Eliminations and adjustments consist of the 50% share attributable to the joint venture party in Assmang and inter-segmental transactions.

## Headline earnings recover significantly in the second half to R3,5 billion for the year

## Record iron ore and chrome ore sales

## Final dividend for the year increased to R3,50 per share

## Consolidated statement of cash flow

R'000	Year ended 30 June 2013 Unaudited	Year ended 30 June 2012 Audited
Cash generated from operations	3 855 985	3 757 225
Cash utilised in investing activities	(2 159 046)	(2 372 589)
Treasury shares acquired	—	(2 692 555)
Proceeds on disposal of available-for-sale investments	36 975	663 650
Long-term finance raised	—	2 310 000
Long term liabilities repaid	(750 000)	(708 700)
Other financing activities	157 405	32 672
Increase in cash for the year	1 141 319	989 703
Cash resources at beginning of year	3 324 437	2 334 734
<b>Cash resources per statement of financial position</b>	<b>4 465 756</b>	<b>3 324 437</b>

## Consolidated statement of changes in equity

R'000	Year ended 30 June 2013 Unaudited	Year ended 30 June 2012 Audited
<b>Share capital, share premium and other reserves</b>		
Balance at beginning of year	344 548	734 092
Other comprehensive losses (net)	(35 896)	(389 544)
Other comprehensive losses, including non-controlling shareholders' portion	(29 915)	(382 948)
Less: Non-controlling shareholders' portion thereof	(5 981)	(6 596)
Balance at end of year	308 652	344 548
<b>Treasury shares</b>		
Balance at beginning of year	(5 051 583)	(2 359 028)
Treasury shares purchased during the year	—	(2 692 555)
Balance at end of year	(5 051 583)	(5 051 583)
<b>Retained earnings</b>		
Balance at beginning of year	15 907 437	12 390 460
Attributable profit for the year	3 425 644	4 033 013
Ordinary dividends declared during the year	(567 639)	(516 036)
– total dividends declared	(767 839)	(698 036)
– dividends on treasury shares held in BEE trusts	200 200	182 000
Balance at end of year	18 765 442	15 907 437
Ordinary shareholders' interest	14 022 511	11 200 402
<b>Non-controlling interests</b>		
Balance at beginning of year	126 858	114 287
Attributable profit	2 724	14 021
Dividends paid to non-controlling shareholders	(6 653)	(8 046)
Foreign currency translation reserve arising on consolidation	5 981	6 596
Balance at end of year	128 910	126 858
<b>Total equity</b>	<b>14 151 421</b>	<b>11 327 260</b>

Assore holds a 50% interest in Assmang, which is proportionately consolidated in accordance with International Financial Reporting Standards ("IFRS"). Assmang's headline earnings were negatively impacted by lower US Dollar selling prices for iron ore, which were mostly offset by a weaker Rand/US Dollar exchange rate and increased sales volumes achieved for iron and chrome ores. Support for the sale of the Group's products remained mainly from within China, where crude steel production was at record levels for the second half of the financial year.

### Sales volumes

Sales of iron ore increased in Assmang's Iron Ore Division due to the availability of additional rail capacity from the Khumani Iron Ore Mine. Assmang's Chrome Division achieved record sales volumes of chrome ore, due to the suspension by Assmang of chrome production at Machadodorp because of the depressed global market conditions for ferrochrome and the increasing cost of electricity in South Africa. Assmang was required to record an impairment charge of R312 million against furnaces and associated equipment in its Manganese, and Chrome Divisions, which had become unprofitable to operate under current market conditions and cost structures. Assmang's turnover for the year under review increased by 5,5% to R25,0 billion (2012: R23,7 billion). The following table sets out the sales volumes of Assmang's products for the year under review:

Metric tons '000	Year ended 30 June 2013	Year ended 30 June 2012	Increase/ (decrease) %
Iron ore	16 070	14 753	9
Manganese ore*	2 856	2 905	(2)
Manganese alloys*	260	270	(4)
Charge chrome	77	174	(56)
Chrome ore*	1 054	521	102

\*Excluding intra-group sales to alloy plants

### Capital expenditure

The bulk of the Group's capital expenditure occurs in Assmang and amounted to R4,1 billion (2012: R4,5 billion) for the year under review. R2,2 billion was spent at the Khumani Iron Ore Mine, with R553 million spent on the Wet High Intensity Magnetic Separation (WHIMS) plant designed to increase yields on low grade ore, R223 million on the Khumani Optimisation Project (KOP), aimed at plant debottlenecking and R185 million spent on deviating the rail line to enable expansion of the King Pit. A further R362 million was spent at Beeshoek Iron Ore Mine on waste-stripping. Within Assmang's Manganese Division, R339 million was spent on sustainable capital together with feasibility studies and early establishment costs to expand the capacity of the manganese mines to at least 4 million tons per annum. The bulk of the remainder of the capital expenditure was spent on replacement capital.

On 19 June 2013, the Company announced the conditional approval for the construction by a joint venture comprising Assmang, Sumitomo Corporation and China Steel of a manganese alloy smelting facility in Sarawak State, Malaysia to be known as Sakura Ferroalloys SDN.BHD. ("Sakura"). Sakura is a greenfields project and the facility will be constructed in the Samalaju Industrial Park, in Sarawak. Sakura will initially consist of two 81MVA furnaces, complete with all related infrastructure, equipment and services to allow for the production of both high-carbon ferromanganese and silicon-manganese alloys. Besides being the majority shareholder, Assmang will provide marketing and technical services to Sakura. The total project value is set at US Dollar 328 million and construction is due to start in early 2014. Assmang's current cash resources are adequate to meet its share of the project commitment.

### Outlook

The level of global crude steel production is expected to decline in the short term, which, together with more iron ore becoming available from new and established Australian producers, is expected to cause downward pressure on iron ore prices. Stocks of iron ore in China have stabilised at low levels, which should counteract any significant decline in selling prices. New entrants from South Africa into the manganese ore market are creating downward pricing pressure on medium grade manganese ore, which is also negatively impacting on high grade ore. Additional downward pricing pressure is expected on manganese ores for the foreseeable future due to increased volumes becoming available from producers in Australia and Gabon. The level and impact of state and regulatory intervention in the significant global economic powers remains unclear, creating a lack of certainty over the extent of global economic growth in the short, to medium term. Whilst it is expected that sales volumes are not likely to change significantly, the factors mentioned above could have a significant impact on the selling prices of the Group's products. The Group remains exposed to fluctuations in exchange rates.

### Dividends

The results in this announcement include the interim dividend of 250 cents (2012: 250 cents) per share which was declared on 12 February 2013 and paid to shareholders on 11 March 2013. In line with the results for the year, the directors of Assore ("the Board") have declared a final dividend of 350 cents (2012: 300 cents) per share, making a total dividend in respect of profit for the year of 600 cents (2012: 550 cents) per share. The final dividend will be paid to shareholders on or about 23 September 2013 and, in accordance with IFRS, is not included in the results contained in this announcement as it was declared after year end.

### Review by auditors

Ernst & Young Inc, the Group's auditors, have reviewed and issued an unmodified report on the condensed financial results included in this announcement in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A copy of their report is available for inspection at the registered office of the Company.

### Accounting policies and basis of preparation

The financial results for the year under review have been prepared under the supervision of Mr CJ Cory, CA(SA) in accordance with IAS 34 – Interim Financial Reporting and comply with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited ("JSE") and the Companies Act No 71 of 2008. The accounting policies applied are consistent with those adopted in the financial year ended 30 June 2012. Amendments to IFRS effective in the period have not had any significant impact on the results or disclosures of the Group for the year under review.

### Declaration of final dividend

Shareholders are advised that the Board has declared final gross dividend number 113 ("the Dividend"), of 350 cents (2012: 300) per share (gross) for the year ended 30 June 2013 on 27 August 2013.

In terms of paragraph 11.17 of the Listings Requirements of the JSE, shareholders are advised of the following with regard to the declaration:

- the Dividend has been declared from retained earnings;
- the local Dividend Tax rate is 15%;
- the Company does not have any Secondary Companies Tax ("STC") credits available to reduce the impact of the Dividend Tax;
- the net local dividend amount is 297,5 cents per share for shareholders liable to pay the Dividends Tax;
- the issued ordinary share capital of Assore is 139 607 000 shares; and
- Assore's Income Tax reference number is 9045/018/84/4.

The salient dates for the Dividend are as follows:

Last day for trading to qualify and participate in the final dividend	Friday, 13 September 2013
Trading "ex dividend" commences	Monday, 16 September 2013
Record date	Friday, 20 September 2013
Dividend payment date	Monday, 23 September 2013

Share certificates may not be dematerialised or rematerialised between Monday, 16 September 2013 and Friday, 20 September 2013, both days inclusive.

On behalf of the Board

**Desmond Sacco**  
Chairman

Johannesburg  
28 August 2013

**CJ Cory**  
Chief Executive Officer

## Assore Limited

Company registration number:  
1950/037394/06  
Share code: ASR ISIN: ZAE000146932  
("Assore" or "Group" or "Company")

### Directors

**Executive**  
Desmond Sacco (Chairman),  
CJ Cory (Chief Executive Officer),  
AD Stalker (Marketing),  
BH van Aswegen (Technical and Operations)

### Alternate

PE Sacco

### Non-executive

EM Southey\* (Deputy Chairman and  
Lead Independent Director), RJ Carpenter,  
S Mhlathi\*, WF Urmson\* \*Independent

**Registered office**  
Assore House, 15 Fricker Road, Illovo  
Boulevard, Johannesburg, 2196

### Company secretaries

African Mining and Trust Company Limited

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2001

**Sponsor**  
The Standard Bank of South Africa Limited

**www.assore.com**