

CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	Note	2006 R 000	2005* R 000
ASSETS			
Non-current assets			
Property, plant and equipment	2	1 960 665	1 335 430
Investment properties	3	59 077	53 046
Intangible assets	4	3 468	3 455
Available-for-sale investments	6	169 750	232 093
		2 192 960	1 624 024
Current assets			
Inventories	7	896 152	695 600
Trade and other receivables	8	648 021	622 952
Prepaid taxation		–	1 217
Cash deposits held by environmental trusts	9	22 941	17 493
Cash resources	27.6	148 894	275 566
		1 716 008	1 612 828
TOTAL ASSETS		3 908 968	3 236 852
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	10	700	700
Share premium	11	30 358	–
Treasury shares	12	(78 526)	–
Retained earnings		2 421 878	1 993 142
Other reserves	13	100 906	98 879
		2 475 316	2 092 721
Minority shareholders' interest		51 114	39 363
Total equity		2 526 430	2 132 084
Non-current liabilities			
Long-term borrowings	14	58 033	6 035
Deferred taxation	15	544 844	345 181
Long-term provisions	16	64 279	59 298
		667 156	410 514
Current liabilities			
Trade and other payables	17	385 077	332 911
Taxation		56 609	106 358
Short-term provisions and accruals	18	20 242	28 245
Overdrafts and short-term borrowings	19	253 454	226 740
		715 382	694 254
TOTAL EQUITY AND LIABILITIES		3 908 968	3 236 852

* Restated – refer changes in accounting policies

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005* R 000
Revenue	20	3 494 477	3 216 283
Turnover		3 382 587	3 093 944
Cost of sales		2 783 365	2 317 628
Gross profit		599 222	776 316
Profit on disposal of available-for-sale investments		145 777	–
Discount on BEE transaction	21	(35 752)	–
Other income		217 999	196 514
Other expenses		(204 571)	(157 502)
Finance costs	22	(15 284)	(21 721)
Profit before taxation and State's share of profits	23	707 391	793 607
Taxation and State's share of profits	24	227 569	252 545
Profit for the year		479 822	541 062
Earnings attributable to:			
Equity holders of the parent		457 384	509 445
Minority interests		22 438	31 617
As above		479 822	541 062
Earnings per share (cents)	25	1 652	1 819
Headline earnings per share (cents)	25	1 170	1 834
Dividends per share declared during the year (cents)	26	230	95

* Restated – refer changes in accounting policies

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Cash retained from operating activities		469 972	638 730
Cash generated by operations	27.1	792 472	950 907
Investment income	27.2	3 860	5 625
Movements in working capital	27.3	(183 714)	(206 502)
Cash generated by operating activities		612 618	750 030
Interest income		18 839	16 900
Finance costs		(15 284)	(21 721)
Taxation paid	27.4	(81 825)	(79 887)
Dividends paid	27.5	(64 376)	(26 592)
Cash utilised in investing activities		(683 605)	(336 535)
Acquisition of shares in the holding company by a subsidiary		(78 526)	–
Additions to property, plant and equipment			
– to maintain operations		(312 196)	(290 324)
– to expand operations		(397 912)	(52 937)
Arising on the acquisition of additional shares in joint venture entity		(120 514)	–
Additions to investment properties		(6 031)	–
Net movement in environmental rehabilitation trust funds		(5 448)	(3 990)
Proceeds on disposal of			
– property, plant and equipment		22 393	10 594
– available-for-sale investments		214 629	–
Proceeds on share repurchase		–	122
Cash generated by/(utilised in) financing activities		86 961	(192 892)
Repurchase of ordinary share capital		(162 749)	–
Net proceeds from the issue of ordinary share capital		193 107	–
Issue of preference shares by a subsidiary company		53 600	–
Increase/(decrease) in long-term borrowings		571	(2 311)
Increase/(decrease) in overdrafts and short-term borrowings		24 541	(152 426)
Dividends paid to minority shareholders		(22 109)	(38 155)
Cash resources			
– (decrease)/increase for the year		(126 672)	109 303
– at beginning of year		275 566	166 263
– at end of year	27.6	148 894	275 566

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 R 000	2005 R 000
Share capital			
Share capital			
Balance at beginning of year		700	700
Issue of shares		55	–
Repurchase of shares		(55)	–
Balance at end of year	10	700	700
Share premium			
Balance at beginning of year		–	–
Repurchase of shares		(162 694)	–
Issue of shares		196 872	–
Share issue expenses on the above issues charged to share premium in terms of section 76 of the Companies Act		(3 820)	–
Balance at end of year	11	30 358	–
Treasury shares			
Treasury shares	12	(78 526)	–
Other reserves			
Balance at beginning of year		98 879	38 312
		2 027	60 567
Net increase in the market value of available-for-sale investments		6 508	66 501
Deferred capital gains taxation provided on revaluation of available-for sale investments to market value		(5 388)	(9 411)
Foreign currency translation reserve arising on consolidation		907	3 477
Balance at end of year	13	100 906	98 879
Retained earnings			
Balance at beginning of year		1 993 142	1 510 297
Profit for the year		457 384	509 445
Discount on BEE transaction (refer note 21)		35 752	–
Ordinary dividends declared during the year			
Final dividend No. 97 of 150 cents (2005: 45 cents) per share – declared on 30 August 2005		(42 000)	(12 600)
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share – declared on 15 March 2006		(22 400)	(14 000)
Balance at end of year		2 421 878	1 993 142
Per balance sheet		2 475 316	2 092 721
Total income and expense recognised directly in equity			
Profit for the year (as above)		457 384	509 445
Income and expense items recognised in equity		2 027	60 567
Total income and expense for the year		459 411	570 012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

I. ACCOUNTING POLICIES

I.1 Basis of preparation

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

Statement of compliance

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

Changes in accounting policies

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

Standard	Description	Key effects of adoption on the group's financial statements
IAS 1	Presentation of Financial Statements	IAS 1 (revised) clarifies the presentation requirements of assets and liabilities as well as the classification of liabilities as current or non-current. IAS 1 (revised) requires the following new disclosures: <ul style="list-style-type: none">• The judgements management has made in the process of applying the entity's accounting policies.• The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date.• Disclosure on the face of the income statement, of the entity's profit or loss for the period and the allocation of that amount between "profit or loss attributable to minority interest" and "profit or loss attributable to equity holders of the parent".• The statement of changes in equity requires a total of total income and expenses for the period.
IAS 2	Inventories	IAS 2 (revised) requires disclosure of the amount of any write-down of inventories recognised as an expense in the period.
IAS 8	Accounting Policies, Changes in Accounting estimates and Errors	IAS 8 (revised) requires disclosure of an impending change in accounting policy when an entity has yet to implement a new Standard or Interpretation that has been issued but not yet come into effect.
IAS 17	Leases	IAS 17 (revised) requires the recognition of land and buildings as separate elements in the classification of a lease of land and buildings.

Standard	Description	Key effects of adoption on the group's financial statements
IAS 16	Property, Plant and Equipment	IAS 16 (revised) states that each part of an item of property, plant and equipment with a cost that is significant to the total cost of the item should be depreciated separately. Under IAS 16 (revised) the residual value of property, plant and equipment needs to be reviewed each year. In response to IAS 16 (revised), the group has re-estimated the expected useful lives of plant and equipment. The impact on current year earnings of this change in estimate amounts to an after tax increase in earnings of R6,9 million. It is expected that there will be an impact going forward from IAS 16 (revised).
IAS 21	The effects of changes in foreign exchange rates	The notion of "reporting currency" has been replaced with two notions: functional currency, and presentation currency. When a reporting entity prepares financial statements, IAS 21 (revised) requires each individual entity included in the reporting entity – whether it is a standalone entity, an entity with foreign operations (such as a parent) or a foreign operation (such as a subsidiary or branch) – to determine its functional currency and measure its results and financial position in that currency. If the presentation currency differs from the entity's functional currency, it translates its results and financial position into the presentation currency.
IAS 24	Related Party Disclosures	In IAS 24 (revised) the definition of related party has been expanded. In addition, IAS 24 (revised) prescribes minimum disclosure requirements for related party transactions.
IAS 27	Consolidated and Separate Financial Statements	IAS 27 (revised) requires an entity to present minority interests in the consolidated balance sheet within equity, separately from the parent shareholders' equity. IAS 27 (revised) requires the use of cost or IAS 39 for all investments in subsidiaries, associates or joint ventures included in separate financial statements.
IAS 31	Interests in Joint Ventures	No effect on the group.
IAS 33	Earnings per Share	No effect on the group.
IAS 39	Financial Instruments: Recognition and Measurement	No effect on the group.
IAS 40	Investment Property	No effect on the group.
IFRS 2	Share-based Payment	IFRS2 required the accounting of a discount of R35,8 million which arose on the issue of Assore shares, in terms of the empowerment transaction.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

Standard	Description	Key effects of adoption on the group's financial statements
IFRS 5	Non-current Assets Held-for-Sale and Discontinued Operations	No effect on the group.
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	The objective of the interpretation is to determine the accounting in the financial statements of a contributor for interests arising from decommissioning funds that have the following features: (a) the assets are administered separately (either by being held in a separate legal entity or as segregated assets within another entity). (b) A contributor's right to access the assets is restricted. Adoption has had the effect that the environmental trust funds are consolidated and that the balances previously included in originated loans are now reflected in cash deposits held by the environmental trust funds.
IFRIC 8	Scope of IFRS 2	This interpretation applies to transactions when the identifiable consideration received (or to be received) by the entity, including cash and the fair value of identifiable non cash consideration (if any), appears to be less than the fair value of the equity instruments granted or liability incurred. IFRIC 8 required the empowerment transaction entered into by the group to be accounted for in terms of IFRS 2.

Early adoption

The additional disclosure requirements as a result of the Amendment to IAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures" have been included in the financial statements.

– IFRIC 4 "Determining whether an Arrangement contains a Lease" has been applied in the current year.

On 1 January 2006, the group adopted the requirements of IFRIC 4. This new policy has no impact on the current or prior year financial statements.

IFRS and IFRIC interpretations not yet effective

The group has not applied the following IFRS and IFRIC interpretations which have been issued but are not yet effective. As far as it is possible to determine, the adoption of these standards in the future will not have any material affect on the presentation of the financial statements.

Standard	Revised/Issued	Effective date	Description	Impact
IAS 39	April 2005	1 January 2006	Financial Instruments – Recognition and Measurement	This standard provides guidance on, <i>inter alia</i> , hedging the foreign currency risks of a forecast intragroup transaction, adjustments to the fair value of financial instruments after initial recognition and the issue of financial guarantees.

Standard	Revised/Issued	Effective date	Description	Impact
IFRS 6	December 2004	1 January 2006	Exploration for and Evaluation of Mineral Resources	This standard provides guidance on accounting for exploration expenditure, including the recognition of exploration and evaluation assets.
IFRS 7	August 2005	1 January 2007	Financial Instruments – Disclosures	The standard requires disclosure of: the significance of financial instruments for an entity's financial position and performance. Disclosure is also required of the qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.
IFRIC 9	March 2006	1 June 2006	Reassessment of Embedded Derivatives	This interpretation clarifies certain aspects of the treatment of embedded derivatives.
IFRIC 10	July 2006	1 November 2006	Interim Reporting and Impairment	This interpretation provides clarification on impairments recognised in interim reporting periods in relation to goodwill, investments in equity instruments or financial assets carried at cost.

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 parent 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. Subsidiaries 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 are eliminated on consolidation. Unearned profits and losses that arise between group entities are eliminated.

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. The joint venture is proportionately consolidated until the date on which the group ceases to have joint control over the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

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, the broad-based community trust, is controlled by Assore as suitable beneficiaries which comply with the broad-based requirement set out in the Trust Deed have yet to be identified (refer note 21). Accordingly the trust has been consolidated.

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

The group ceased to amortise goodwill with effect from the required implementation date of, 1 July 2004. Goodwill is now tested for impairment annually or more frequently if events or changes in circumstances indicate a possible impairment. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 30 June 2006 was R1,4 million (2005: R1,4 million). The goodwill relates to the acquisition of a foreign subsidiary and, based on current circumstances, no impairment is necessary.

Post-retirement medical aid liability

Independent actuaries determine the quantum of the provision and the related assumptions are disclosed in note 34.

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 a regular basis to estimate the environmental rehabilitation provisions. Significant risk of material adjustment into the next financial year exists due to the inherent uncertainty surrounding the future life of the mines, the forward looking nature of the provision and the uncertainty regarding the underlying assumptions. The inflation rates applied to estimated costs used in the discounted cash flow calculation is 10% and the real discount rate is 5%.

1.4 Property, plant and equipment and depreciation

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

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

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

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

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

Mineral and prospecting rights

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

Land, buildings and mine properties

Land is not depreciated. Owner occupied properties which are designed for a specific use are depreciated to an 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.

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FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

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 reflected at cost less accumulated depreciation calculated on the straight-line basis over their expected useful lives, to estimated residual values. Vehicles, furniture and office equipment are depreciated on the following bases:

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

1.5 Leased assets

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

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

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases 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 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. Discounts or premiums relating to borrowings are deferred and amortised over the terms of the respective borrowing.

1.7 Investment properties

The group applies the cost model for investment properties. Depreciation is raised over the remaining useful life of the property unless the residual value exceeds the historical cost of the asset in which case the property is not depreciated.

1.8 Intangible assets

Intangible assets represent proprietary technical information, and goodwill. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair

value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

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

Research and development costs

Expenditure on research projects (or on the research phase of an internal project) is recognised as an expense when it is incurred. When the development phase of a project demonstrates that it is probable that future economic benefits will be generated, the related expenditure is recognised as an asset if all of the following conditions are present:

- the technical feasibility of completing the asset demonstrates that it will be available for use or sale;
- there is an intention to complete the asset, and either use or sell it;
- there is an ability to use or sell the asset;
- there are adequate technical, financial and other resources available to complete the development, and to use or sell the asset; and
- the expenditure attributable to the asset can be measured reliably.

Development costs are initially recognised at cost and amortised over the period of expected future sales from the related project. Following initial recognition it is carried at cost less any accumulated amortisation and accumulated impairment losses. The carrying amount of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the year.

Goodwill

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 net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or joint venture 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.

1.9 Impairment of 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

1.10 Environmental rehabilitation expenditure

The estimated cost of final rehabilitation, comprising liability for decommissioning 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.

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 cost 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 the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, other than investments in jointly controlled entities and subsidiary companies, are classified as available-for-sale investments and are disclosed at fair value which equates with market value. Gains and losses on subsequent measurement are recognised against other reserves 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 in 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.

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 Foreign currency translation

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

1.13 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 comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost is determined using the following bases:

- Raw materials are valued at weighted average cost.
- Consumables and maintenance spares are valued at weighted average cost.
- Finished products are valued at weighted average cost including an appropriate allocation of direct overhead costs.
- Slow moving stocks are valued at the lower of actual cost of production and estimated net realisable value.

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.

1.14 Derivative financial instruments and hedging

The group uses derivative financial instruments such as forward currency 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. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

1.15 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 (a) has transferred substantially all the risks and rewards of the asset, or (b) 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the group's continuing involvement is the amount of the transferred asset that the group may repurchase, except that in the case of a written put option (including a cash-

settled option or similar provision) on an asset measured at fair value, the extent of the group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

1.16 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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

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

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

Assets carried at cost

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

Available-for-sale investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

1.17 Taxation

Current tax

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

Deferred taxation

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

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

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

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

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

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

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

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

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

Value added tax

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

- where the value added tax (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 value added tax included.

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

Secondary taxation on companies

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

1.18 Provisions

Provisions are recognised when:

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

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

1.19 Interest bearing loans and borrowings

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

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

1.20 Revenue

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

Sale of mining and beneficiated products

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

Technical fees and commissions on sales

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

Ores and alloys

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

Interest received

Interest received is recognised using the effective interest method i.e. 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.

1.21 Post-employment benefits

Retirement benefit plans operated by the group are of both the defined benefit and defined contribution types. The cost of providing benefits under defined benefit plans are determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised using the "corridor method", i.e. as income or 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.

1.22 Definitions

Earnings and headline earnings per share

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

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

Cash resources

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

	Cost 2006 R 000	Accumulated depreciation 2006 R 000	Carrying amount 2006 R 000	Cost 2005* R 000	Accumulated depreciation 2005* R 000	Carrying amount 2005* R 000
2. PROPERTY, PLANT AND EQUIPMENT						
At year-end						
Mining assets						
Mineral and prospecting rights	436 869	35 479	401 390	68 819	14 983	53 836
Land, buildings and mine properties	166 704	44 349	122 355	205 597	46 747	158 850
Plant and equipment	1 152 384	440 381	712 003	721 373	268 425	452 948
Prospecting, exploration mine development and decommissioning assets	741 509	139 803	601 706	633 249	99 373	533 876
Vehicles, furniture and office equipment	179 315	85 649	93 666	172 218	98 389	73 829
Leased assets capitalised	10 663	4 417	6 246	9 795	2 306	7 489
	2 687 444	750 078	1 937 366	1 811 051	530 223	1 280 828
Other assets						
Township property	2 051	75	1 976	–	–	–
Industrial property	12 386	2 085	10 301	10 128	1 949	8 179
Plant and equipment	143	121	22	61 766	22 385	39 381
Vehicles, furniture and office equipment	34 305	23 305	11 000	22 126	15 084	7 042
	48 885	25 586	23 299	94 020	39 418	54 602
	2 736 329	775 664	1 960 665	1 905 071	569 641	1 335 430

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 R37 807 (2005: R31 012).

Leased assets

Vehicles with a carrying amount of R6,3 million (2005: R7,5 million) are encumbered as security for the finance lease agreements referred to in note 14.

Borrowing costs

Acquisitions of plant and equipment includes borrowing costs amounting to R1,4 million (2005: R1,7 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 and plant and machinery above assess with a carrying amount of R45,7 million (2005: R121,2 million) which relate to projects in progress and from which no revenue is currently derived.

* Restated – refer changes in accounting policies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

2006	Cost				Accumulated depreciation				Carrying amount R 000
	Opening balance R 000	Acquisitions R 000	Increase in joint venture share-holding R 000	Reclassifications and disposals R 000	Opening balance R 000	Current charge R 000	Increase in joint venture share-holding R 000	Reclassifications and disposals R 000	
2. PROPERTY, PLANT AND EQUIPMENT (continued)									
Movement for the year									
Mining assets									
Mineral and prospecting rights	68 819	361 142	6 497	248	14 983	19 394	1 384	(445)	401 390
Land, buildings and mine properties	205 597	50 544	18 941	(109 405)	46 747	7 572	4 074	(15 071)	122 355
Plant and equipment	721 373	127 772	65 759	218 222	268 425	89 484	23 743	39 471	712 003
Prospecting, exploration, mine development and decommissioning	633 249	124 894	59 332	(75 803)	99 373	60 872	8 692	(28 971)	601 706
Vehicles, furniture and office equipment	172 218	50 470	16 267	(59 642)	98 389	19 153	9 292	(41 187)	93 666
Leased assets capitalised	9 795	–	930	(62)	2 306	1 954	219	(62)	6 246
	1 811 051	714 822	167 726	(26 442)	530 223	198 429	47 404	(46 265)	1 937 366
Other assets									
Township property	–	–	–	2 051	–	17	–	58	1 976
Industrial property	10 128	2 600	–	(659)	1 949	(180)	–	(1)	10 301
Plant and equipment	61 766	1 096	–	(45 511)	22 385	575	–	(5 631)	22
Vehicles, furniture and office equipment	22 126	2 139	–	7 772	15 084	95	–	5 858	11 000
	94 020	5 835	–	(36 347)	39 418	507	–	284	23 299
	1 905 071	720 657	167 726	(62 789)	569 641	198 936	47 404	(45 981)	1 960 665

2005*	Cost			Accumulated depreciation			Carrying amount R 000
	Opening balance R 000	Acquisitions R 000	Reclassifications and disposals R 000	Opening balance R 000	Current charge R 000	Reclassifications and disposals R 000	
2. PROPERTY, PLANT AND EQUIPMENT (continued)							
Movement for the year							
Mining assets							
Mineral and prospecting rights	82 880	–	(14 061)	7 305	7 678	–	53 836
Land, buildings and mine properties	150 342	54 432	822	36 235	10 872	(361)	158 850
Plant and equipment	629 669	90 672	1 032	215 586	52 884	(45)	452 948
Prospecting, exploration, mine development and decommissioning	489 791	143 936	(478)	64 158	35 212	3	533 876
Vehicles, furniture and office equipment	134 384	40 611	(2 776)	75 197	24 219	(1 026)	73 829
Leased assets capitalised	9 877	–	(82)	432	1 941	(67)	7 489
	1 496 943	329 651	(15 543)	398 913	132 806	(1 496)	1 280 828
Other assets							
Township property	7 318	–	–	7 318	–	–	–
Industrial property	9 830	615	(316)	1 559	391	–	8 179
Plant and equipment	52 768	9 037	(39)	16 216	6 204	(35)	39 381
Vehicles, furniture and office equipment	19 060	3 698	(632)	12 089	3 406	(411)	7 042
	88 976	13 350	(987)	37 182	10 001	(446)	54 602
	1 585 919	343 001	(16 530)	436 095	142 807	(1 942)	1 335 430

* Restated – refer changes in accounting policies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005* R 000	
3. INVESTMENT PROPERTIES			
Land and buildings			
Carrying amount at beginning of year	53 046	53 046	
Acquisitions	6 031	–	
Carrying amount at end of year	59 077	53 046	
<p>A register containing details of investment properties is available for inspection during business hours at the registered address of the company by shareholders or their duly authorised agents.</p>			
4. INTANGIBLE ASSETS			
	Licences	Goodwill	Total
<p>Intangible assets consist of proprietary licences, technical information and goodwill.</p>			
Cost			
Balance at beginning of year	4 101	2 363	6 464
Arising on the acquisition of additional shares in joint venture entity	388	–	388
Balance at end of year	4 489	2 363	6 852
Accumulated amortisation			
Balance at beginning of year	2 064	945	3 009
Arising on the acquisition of additional shares in joint venture entity	196	–	196
Charge for the year	179	–	179
Balance at end of year	2 439	945	3 384
Carrying amount at end of year	2 050	1 418	3 468

* Restated – refer changes in accounting policies

	2006 R 000	2005* R 000
5. INVESTMENT IN JOINT VENTURE ENTITY		
50% (2005: 45,66%) interest in Assmang Limited, which is controlled jointly with African Rainbow Minerals Limited (ARM).		
The group financial statements include the following amounts relating to the Assmang, which were proportionately consolidated:		
Income statement		
Turnover	2 178 849	2 012 124
Cost of sales	(1 647 940)	(1 331 841)
Other operating income	39 625	13 458
Other operating expenses	(85 113)	(30 341)
Income from investments	3 700	1 074
Finance costs	(5 917)	(18 685)
Profit before taxation and State's share of profits	483 204	645 789
Balance sheet		
Property, plant, equipment and intangibles	1 880 222	1 268 836
Current assets	1 175 725	1 034 796
Current liabilities – interest bearing	45 950	73 428
– non-interest bearing	285 627	321 514
Long-term borrowings – interest bearing	4 433	6 035
Deferred taxation	524 032	333 629
Long-term provisions	52 593	44 472
Distributable reserves	1 675 159	1 463 746
Cash flows		
Cash retained from operating activities	369 765	576 377
Cash utilised in investing activities	330 094	295 867
Cash utilised in financing activities	36 628	263 683
Cash resources	35 755	29 872
Commitments		
Future capital expenditure:		
– contracted for	434 594	83 649
– not contracted for	1 641 352	123 835
	2 075 946	207 484
Contingent liabilities		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 31.		

* Restated – refer changes in accounting policies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005* R 000
6. AVAILABLE-FOR-SALE INVESTMENTS		
Listed – at market value	169 625	231 968
Unlisted – at cost and directors' valuation	125	125
	169 750	232 093
Listed – at cost	47 455	116 307
A register containing details of investments held by the group is available for inspection at the registered office of the holding company.		
7. INVENTORIES		
Raw materials	355 956	315 571
Consumable stores	45 075	35 922
Finished goods	495 121	344 107
	896 152	695 600
Cost of inventory written down to net realisable value and recognised in cost of sales	–	24 201
Cost of inventory written down recognised in other expenses	4 079	9 279
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	525 813	557 075
Other receivables	122 208	65 877
	648 021	622 952
Trade and other receivables are non-interest bearing and are normally settled on 60 to 120-day terms.		
9. CASH DEPOSITS HELD BY ENVIRONMENTAL TRUSTS		
Balance at beginning of year	17 493	13 503
Arising on the acquisition of additional shares in joint venture entity	1 108	–
Contributions received during the year	3 928	2 963
Interest received	412	1 027
	22 941	17 493
These funds may only be utilised for purposes of funding liabilities which the group has for decommissioning and environmental restoration arising from existing mining and exploration activities.		

* Restated – refer changes in accounting policies

	2006 R 000	2005 R 000
10. SHARE CAPITAL		
Authorised		
40 000 000 (2005: 40 000 000) ordinary shares of 2,5 cents each	1 000	1 000
Issued		
Balance at beginning of year (28 000 000 ordinary shares of 2,5 cents each)	700	700
Issue of 1 696 890 shares of 2,5 cents per share, at a premium of R84,98 per share and for a consideration of R144,2 million	42	–
Issue of 517 309 shares of 2,5 cents per share at a premium of R101,83 per share, and for a consideration of R52,7 million	13	–
Repurchase of 2 214 199 shares of 2,5 cents per share at R63,00 per share	(55)	–
Balance at end of year (28 000 000 ordinary shares of 2,5 cents each)	700	700
Refer to note 11 for details of the share premium and share issue expenses.		
11. SHARE PREMIUM		
Arising on the following issues refer note 10 above:		
– 1 696 890 shares at a premium of R84,98 per share	144 193	–
– 517 309 shares at a premium of R101,83 per share	52 679	–
Repurchase of 2 214 199 shares	(162 694)	–
Share issue expenses on the above issue of shares charged to share premium in terms of section 76 of the Companies Act	(3 820)	–
Balance at end of year	30 358	–
12. TREASURY SHARES		
913 710 Assore shares, or approximately 3,26% of Assore's issued share capital, acquired by Main Street 350 (Proprietary) Limited a wholly owned subsidiary of the Bokamoso Trust as part of the BEE transaction referred to in note 21.	77 665	–
Transaction costs on the above	861	–
Balance at end of year	78 526	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005 R 000
13. OTHER RESERVES		
Foreign currency translation reserve arising on consolidation	487	(420)
After tax fair value adjustment arising on the revaluation of available-for-sale investments	100 419	99 299
Gross fair value adjustment at year-end	122 170	115 662
Less: deferred capital gains taxation	(21 751)	(16 363)
	100 906	98 879
14. 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 BEE transaction referred to in note 21.	53 600	–
Secured loans	4 433	6 035
Finance lease liabilities over vehicles with a carrying amount of R6,3 million (2005: R7,5 million) repayable in varying monthly instalments over 36 months (2005: 48 months) which bear interest at 1,75% (2005: 1,75%) below the prime overdraft rate	6 606	7 858
Less: repayable within one year included in short-term borrowings (refer note 19)	(2 173)	(1 823)
	58 033	6 035

	Balance at year-end		Repayable during the years ending 30 June		
	2006	2007	2008	2009	2010
	R 000	R 000	R 000	R 000	R 000
2006					
Secured					
– finance lease liabilities	6 606	2 173	2 382	2 051	–
2005					
Secured					
– finance lease liabilities	7 858	1 823	1 990	2 171	1 874

14. LONG-TERM BORROWINGS (continued)
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:

	2006		2005	
	Minimum payments R 000	Present value of payments R 000	Minimum payments R 000	Present value of payments R 000
Within one year	2 686	2 164	2 461	1 823
After one year but not more than five years	4 839	4 442	6 864	6 035
Total minimum lease payments	7 525	6 606	9 325	7 858
Less: amounts representing finance charges	919	–	1 467	–
Present value of minimum lease payments (as above)	6 606	6 606	7 858	7 858

	2006 R 000	2005 R 000
15. DEFERRED TAXATION		
At year-end		
Raised on the following:		
Accelerated capital allowances	539 040	350 620
Provisions raised	(15 749)	(17 699)
Revaluation of inventories	(334)	(4 371)
Revaluation of available-for-sale investments	21 751	16 363
Other	136	268
	544 844	345 181
Movements		
Balance at beginning of year	345 181	240 577
– Deferred tax assets	6 134	12 736
– Deferred tax liabilities	351 315	253 313
	199 663	104 604
Accelerated capital allowances	156 732	104 280
Assessed losses	–	1 323
Provisions raised/(reversed)	1 950	(1 585)
Revaluation of inventories	4 037	(3 341)
Revaluation of available-for-sale investments	5 388	9 411
Arising on the acquisition of additional shares in joint venture entity	31 688	–
Reduction due to change in tax rate	–	(6 765)
Other	(132)	1 281
	544 844	345 181
Balance at end of year	544 844	345 181
– Deferred tax assets	4 621	6 134
– Deferred tax liabilities	549 465	351 315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005 R 000
16. LONG-TERM PROVISIONS		
Environmental obligations		
Provision for cost of decommissioning assets	25 416	26 537
Balance at beginning of year	26 537	13 026
Arising on the acquisition of additional shares in joint venture entity	2 010	–
Provisions raised during the year	246	3 138
(Credited)/charged to interest paid	(3 377)	1 282
Other	–	9 091
Provision for cost of environmental restoration	28 406	20 046
Balance at beginning of year	20 046	13 314
Arising on the acquisition of additional shares in joint venture entity	1 399	–
Provisions raised during the year	6 315	6 523
Charged to interest paid	646	209
Balance at end of year – gross	53 822	46 583
Post-retirement healthcare benefits (refer note 34)		
Balance at beginning of year	12 715	22 562
Arising on the acquisition of additional shares in joint venture entity	815	–
Investments made during the year on behalf of employees	(13 931)	–
Provision raised during the year	13 627	2 718
	13 226	25 280
Less: payable within one year (refer note 18)	(2 769)	(12 565)
Balance at end of year	10 457	12 715
	64 279	59 298
Environmental obligations before funding (as above)	53 822	46 583
Less: amounts contributed to the environmental trust funds	21 999	17 493
Obligation provided for, but not yet funded	31 823	29 090
17. TRADE AND OTHER PAYABLES		
Trade payables	307 113	321 133
Other payables	77 964	11 778
	385 077	332 911
Trade and other payables are non-interest bearing and are normally settled on 30-day terms.		
(Refer to note 33 for the terms and conditions of transactions with related parties.)		

	2006 R 000	2005 R 000
18. SHORT-TERM PROVISIONS AND ACCRUALS		
Balance at beginning of year	28 245	15 735
Arising on the acquisition of additional shares in joint venture entity	796	–
Provisions raised for the year	3 676	4 464
Payments made during the year	(15 244)	(4 519)
Payable within one year transferred from long-term provisions (refer note 16)	2 769	12 565
Balance at end of year	20 242	28 245
Made up as follows:		
Bonuses		
Balance at beginning of year	1 632	1 520
Provisions raised	1 909	1 632
Payments made during the year	(1 632)	(1 520)
Balance at end of year	1 909	1 632
Leave pay		
Balance at beginning of year	13 248	11 665
Arising on the acquisition of additional shares in joint venture entity	796	–
Provisions raised	2 568	2 832
Payments made during the year	(1 048)	(1 249)
Balance at end of year	15 564	13 248
Pension fund contributions		
Balance at beginning of year	800	2 550
Provisions reversed	(800)	–
Payments made during the year	–	(1 750)
Balance at end of year	–	800
Post-retirement healthcare benefits		
Balance at beginning of year	12 565	–
Payments made during the year	(12 565)	–
Short-term portion of long-term provision (refer note 16)	2 769	12 565
Balance at end of year	2 769	12 565
	20 242	28 245

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005* R 000
19. OVERDRAFTS AND SHORT-TERM BORROWINGS		
Overdrafts and short-term borrowings (unsecured)	251 281	224 917
Current portion of long-term borrowings (refer note 14)	2 173	1 823
	253 454	226 740
Overdrafts and short-term borrowings are repayable on demand and interest rates are linked to the prime overdraft rate.		
20. REVENUE		
Revenue comprises:		
Sales of mining and beneficiated products	3 382 587	3 093 944
Net technical fees and commission on sales	78 742	94 910
Gross technical fees and commission on sales	146 508	157 965
Eliminated on consolidation	(67 766)	(63 055)
Interest received	18 839	16 900
Dividends received from available-for-sale investments	3 860	5 408
Other operating income	10 449	5 121
	3 494 477	3 216 283

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION

On 10 November 2005 shareholders were advised that agreements had been concluded which, subject to certain conditions precedent, would facilitate the acquisition of 15,02% of Assore's ordinary share capital by two parties (the empowerment partners) which qualified as historically disadvantaged South Africans in terms of the Charter to the Mineral and Petroleum Resources Act (refer Black Economic Empowerment report). In order to facilitate the financing of the transaction, a special purpose vehicle (SPV) would be used by each empowerment partner to hold its shares, details of which are set out below:

Effective holder	Relationship	SPV	Number of ordinary shares	% of issued share capital
Shanduka Resources (Proprietary) Limited (Shanduka)	Subsidiary of the Shanduka Group	Main Street 343 (Proprietary) Limited (Shanduka BEE Co)	3 292 890	11,76
The Bokamoso Trust (The Trust)	Broad-based community trust	Main Street 350 (Proprietary) Limited (Community BEE Co)	913 710	3,26
			4 206 600	15,02

* Restated – refer changes in accounting policies

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

The proposed transactions were approved, in the form set out in the circular, at an extraordinary meeting of shareholders held on 1 February 2006 and, once unconditional, were implemented by the end of February 2006 as follows:

	Number of ordinary shares		
	Shanduka	The Trust	Total
Acquired from third parties in exchange for cash or equity in the third party	1 596 000	396 401	1 992 401
Acquired by subscription for a fresh issue of Assore ordinary shares of 2,5 cents each at a premium of R196,9 million	1 696 890	517 309	2 214 199
As above	3 292 890	913 710	4 206 600

Consolidation of SPV

As suitable beneficiaries, which comply with the broad-based requirements set out in the Trust Deed, have yet to be identified, the shares owned by the trust are still under the control of Assore and the SPV which holds the shares on behalf of the trust has therefore been consolidated and the shares are accounted for as treasury shares under share capital (refer note 12).

Issue of shares

In order to facilitate the transaction Assore made the following share issues (refer note 10).

Number of ordinary shares	Price	Par value R 000	Share premium R 000	Proceeds R 000
1 696 890	R85 per share	42	144 193	144 235
517 309	R101,86* per share	13	52 679	52 692
2 214 199**		55	196 872	196 927

* Shares acquired by the trust from third parties were acquired at a price which ensured that the average cost of acquisition for the trust of its Assore holding was R85 per share.

** Post completion of the transaction Assore repurchased an equivalent number of shares from Standard Bank and cancelled them so that once the transaction was complete the share capital of Assore remained unchanged at 28 million shares.

Discount to fair value: R35 752 000

As the shares issued by Assore constitute a share-based payment as contemplated by IFRS 2, the income statement includes a discount of R35,8 million on the issue, being the difference between issue price and fair value as determined using Assore's 180-day volume weighted average share price (VWAP) on the date of the transaction. A 180 day VWAP was considered appropriate to measure fair value as the shares have a history of being thinly traded on the JSE Limited. The discount is however equity neutral in that the charge raised in the income statement sets off against a corresponding credit which is raised in equity on the statement of changes in equity in accordance with IFRS requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Funding of the transactions

The transactions were funded by capitalising the SPVs as follows:

- Shanduka transaction

Standard Bank subscribed for "A" preference shares to the value of R193,0 million in the share capital of Shanduka BEE Co, the key terms of which are as follows:

- Standard Bank is entitled to receive a cumulative preference cash dividend equalling 75% of the prime rate (nacm) on each date on which Shanduka BEE Co receives an ordinary dividend, distribution or payment from Assore.
- The abovementioned dividend rate will reduce to 72,5% of prime (nacm) should the outstanding balance on the preference shares concerned be redeemed to below 50% of the original issue price.
- The preference shares are redeemable, in full, either:
 - after the expiry of eight years from date of allotment;
 - at the election of Standard Bank but only after expiry of a period of three years from date of issue and subsequent to the occurrence or deemed occurrence of an event of default (refer below);
 - at the election of Shanduka, at any time, following the provision of written notice.

- The Community transaction

Standard Bank subscribed for "A" preference shares to the value of R53,6 million in the share capital of Community BEE Co on terms which are similar to those referred to above.

Assore subscribed for "B" preference shares to the value of R25,0 million in Community BEE Co the key terms of which are as follows:

- Assore is entitled to receive a cumulative preference cash dividend at a rate of 75% of prime (nacm) on each date that Community BEE Co receives an ordinary dividend, distribution or payment from Assore
- The cumulative preference cash dividend will reduce to 72,3% of prime (nacm) should the outstanding balance on the preference share be redeemed to below 50% of the original issue
- The redeemable preference shares are redeemable, in full, either:
 - at the election of Assore subsequent to the occurrence or deemed occurrence of an event of default (refer below), but only after the Community BEE Co "A" preference shares have been redeemed in full, in favour of Standard Bank.
 - on the date the Community BEE Co "A" preference shares are redeemed
 - at the election of the Community BEE Co on the provision of written notice to Assore, but only after the Community BEE Co "A" preference shares have been redeemed in full.

21. BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTION (continued)

Events of default

An event of default is described fully in the circular to shareholders referred to above and would occur principally if any one of the following events occurred:

- the determination by Standard Bank that the net asset value of the Assore group is less than R1,783 billion (equivalent to approximately R64 per share);
- the preference share balance on the "A" preference share exceeds the following values;

Shanduka BEE Co	R230 million
Community BEE Co	R65 million
- the preference share balance on the "B" preference shares exceeds:

Community BEE Co	R25 million
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- any material change in the nature of business of any party including:
 - being placed in liquidation, judicial management or seeking a compromise with creditors;
 - Assore ceasing to hold a 25% of the share capital of Assmang;
 - Assore ceasing to have the right to control Assmang, either alone or jointly.

Assore facilitation (put and call options)

In addition to the vendor financing which Assore provided of R25 million by way of subscribing for the "B" preference shares in Community BEE Co, Assore has also undertaken in favour of Standard Bank as follows:

In the event of either a default, as referred to above, or failure by either SPV to redeem the "A" or "B" preference shares in accordance with the terms of their respective preference share funding agreements, then:

- 1 Assore will repurchase from Shanduka BEE Co, Assore shares representing 7,98% of Assore's share capital (Shanduka put option);
- 2 Assore will repurchase from Community BEE Co, Assore shares representing 3,2% of Assore's share capital (Community put option).

Assore and Standard Bank have further agreed that in the event that Standard Bank is able to exercise its rights under the put options and, wishes to do so, it will trigger the provisions of the call options which will allow Assore to call the preference shares concerned from Standard Bank. In each case Assore has the right to call the preference shares concerned at a price equal to the outstanding capital amount plus any arrear preference share dividends and any related costs and taxes.

	Note	2006 R 000	2005 R 000
22. FINANCE COSTS			
Finance costs incurred		16 711	23 396
Less: amounts capitalised	2	(1 427)	(1 675)
		15 284	21 721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005* R 000
23. 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	5 570	1 460
Net foreign exchange gains		
– realised	41 888	34 955
– unrealised	25 784	33 159
Reversal of impairment of property	16	–
Expenditure		
Amortisation of intangible assets	179	354
Auditors' remuneration	2 749	2 466
– Audit fees	2 865	2 378
– Other services	65	88
– Reversal of over provision in prior years	(181)	–
Cost of inventories written down	4 079	9 279
Depreciation of mining assets	198 429	132 806
– Mineral and prospecting rights	19 394	7 678
– Land, buildings and mining properties	7 572	10 872
– Plant and machinery	89 484	52 884
– Prospecting, exploration, mine development and decommissioning	60 872	35 212
– Vehicles, furniture and office equipment	19 153	24 219
– Leased assets capitalised	1 954	1 941
Depreciation of other assets	507	10 001
– Township and industrial property	(163)	391
– Plant and machinery	575	6 204
– Vehicles, furniture and office equipment	95	3 406
Exploration expenditure	442	743
Loss on disposal and scrapping of property, plant and equipment	1	5 460
Operating lease expenses	600	559
Professional fees	7 241	3 788
Provision for impairment of debtors and bad debts written off	34	358
Transfer secretary fees	212	183
Staff costs (refer note 34)		
– Salaries and wages (including directors' emoluments)	312 230	246 032
– healthcare costs	13 775	11 798
– pension fund contributions	21 537	18 647

* Restated – refer changes in accounting policies

	2006 R 000	2005 R 000
24. TAXATION AND STATE'S SHARE OF PROFITS		
South African normal taxation		
– current year	1 10 302	138 346
– under/(over) provisions relating to prior years	4 055	(2 690)
Capital gains tax	16 942	–
State's share of profits	18 869	16 530
Deferred taxation		
– temporary differences	65 112	102 070
– rate adjustment	–	(6 876)
Secondary tax on companies	12 289	5 165
	227 569	252 545
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	52 188	39 458
Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies	83 435	111 707
The group has unused credits in respect of secondary tax on companies of R76,8 million (2005: R51,6 million). No deferred tax asset has been raised on these amounts as the unused credits are unlikely to be utilised in the foreseeable future.		
Reconciliation of tax rate (%)		
Nominal tax rate	29,00	29,00
Adjusted for:		
Dividend income	(0,16)	(0,20)
Exempt income	(6,13)	(0,09)
Over/(under) provisions relating to prior years	0,57	(0,34)
Capital gains tax	2,39	–
State's share of profits	2,67	2,08
Disallowable expenditure	1,49	0,20
Secondary tax on companies	1,74	0,65
Reduction in tax rate	–	(0,87)
Other	0,60	1,39
Effective tax rate	32,17	31,82

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005 R 000
25. EARNINGS AND HEADLINE EARNINGS PER SHARE		
Earnings per share (cents)	1 652	1 819
Headline earnings per share (cents)	1 170	1 834
Calculation of earnings, and headline earnings per share were determined using the following information:		
Earnings		
Profit for the year	457 384	509 445
Headline earnings		
Earnings as above	457 384	509 445
Adjusted for:		
Profit (after tax) on disposal of:		
– property, plant and equipment	(4 367)	(1 460)
– listed investments	(129 085)	–
Loss on disposal and scrapping of property, plant and equipment	1	5 460
Headline earnings	323 933	513 445
Weighted number of ordinary shares outstanding (R 000)		
Ordinary shares in issue	28 000	28 000
Treasury shares (note 12)	(305)	–
Weighted average number of shares outstanding	27 695	28 000
26. DIVIDENDS		
Dividends declared during the year		
Final dividend No. 97 of 150 cents (2005: 45 cents) per share		
– declared on 30 August 2005	42 000	12 600
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share		
– declared on 15 March 2006	22 400	14 000
	64 400	26 600
Per share (cents)	230	95
Dividends for the year		
Interim dividend No. 98 of 80 cents (2005: 50 cents) per share		
– declared on 15 March 2006	22 400	14 000
Final dividend No. 99 of 150 cents (2005: 150 cents) per share		
– declared on 30 August 2006	42 000	42 000
Ordinary – paid	64 400	56 000
Per share (cents)	230	200

	2006 R 000	2005* R 000
27. NOTES TO THE CASH FLOW STATEMENT		
27.1 Cash generated by operations		
Profit before taxation and State's share of profits	707 391	793 607
Adjusted for:	85 081	157 300
– Dividends received	(3 860)	(5 408)
– Interest received	(18 839)	(16 900)
– Profit on disposal of property, plant and equipment	(5 570)	(1 460)
– Profit on disposal of available-for-sale investments	(145 777)	–
– Net unrealised foreign exchange gains	(25 784)	(33 159)
– Reversal of impairment of property	(16)	–
– Amortisation of intangibles	179	354
– Cost of inventories written down	4 079	9 279
– Depreciation on property, plant and equipment	198 936	142 807
– Discount on BEE transaction	35 752	–
– Finance costs	15 284	21 721
– Foreign currency translation reserve	1 777	6 819
– Loss on disposal and scrapping of property, plant and equipment	1	5 460
– Movements in long-term provisions	24 412	22 961
– Movements in short-term provisions	4 473	4 464
– Provision for impairment of debtors and bad debts written off	34	358
– Other non-cash flow items	–	4
	792 472	950 907
27.2 Dividend income		
Dividends receivable at beginning of year	–	217
Credited to the income statement	3 860	5 408
	3 860	5 625
27.3 Movements in working capital		
Increase in inventories	(204 631)	(183 987)
Decrease/(increase) in trade and other receivables	683	(105 144)
Increase in trade and other payables	52 140	87 148
Payments against long-term provision	(16 662)	–
Payments against short-term provisions	(15 244)	(4 519)
	(183 714)	(206 502)

* Restated – refer changes in accounting policies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005 R 000
27. NOTES TO THE CASH FLOW STATEMENT (continued)		
27.4 Taxation paid		
Unpaid at beginning of year	(105 141)	(27 676)
Charged to the income statement	(227 569)	(252 545)
Movement in deferred taxation	194 276	95 193
Unpaid at end of year	56 609	105 141
	(81 825)	(79 887)
27.5 Dividends paid		
Unpaid at beginning of year	(76)	(68)
Paid during the year	(64 400)	(26 600)
Unpaid at end of year	100	76
	(64 376)	(26 592)
27.6 Cash resources at end of year		
Cash resources	148 894	275 566
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.		

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

A treasury risk management committee has been established by the group which manages these risks in accordance with the policies itemised below:

28.1 Currency risk

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

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

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.1 Currency risk (continued)

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

Forward exchange contracts open at year-end	R 000	Foreign currency '000	Average exchange rate	Maturity date
2006				1 July 06 – 20 November 06
Sales	35 800	US\$5 000	7,16	
2005				1 July 05 – 30 March 06
Sales	90 453	US\$13 705	6,60	
Foreign debtors included in trade and other receivables at year-end				
			2006	2005
			R 000	R 000
US dollar denominated			295 341	331 139
Euro denominated			176 714	170 714
			472 055	501 853

28.2 Credit risk

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

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

28.3 Fair value risk

The estimated fair value of the group's financial instruments which is based on relevant market information is compared with the carrying amount on an ongoing basis, and as at 30 June 2006, their carrying amount approximated fair value. As market information is involved in making assumptions, estimated fair value is determined as accurately as the relevant market information will permit.

28.4 Interest rate risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.4 Interest rate risk (continued)

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

			Carrying amount at year-end R 000	Maturity date	Effective interest rate
Financial assets					
2006					
Cash on deposit – financial institutions			148 894	Current	Overnight call deposit
2005					
Cash on deposit – financial institutions			275 566	Current	Overnight call deposit
	Note	US dollar '000	Carrying amount at year-end R 000	Maturity date	Effective interest rate
Financial liabilities					
2006					
Long-term borrowings Local – finance leases	14	–	58 033	Year 2011	1,75% below prime
Short-term borrowings Local – financial institutions	19	–	253 454 45 950	Current	Linked to money market
Foreign – financial institutions		29 200	207 504	Current	Linked to LIBOR
		29 200	311 487		
2005					
Long-term borrowings Local – finance leases	14	–	6 035	Year 2010	1,75% below prime
Short-term borrowings Local – financial institutions	19	–	226 740 73 428	Current	Linked to money market
Foreign – financial institutions		23 050	153 312	Current	Linked to LIBOR
		23 050	232 775		

28.5 Liquidity risk

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

	2006 R 000	2005 R 000
29. COMMITMENTS		
Capital		
Expenditure authorised but not contracted for	1 641 825	129 404
Expenditure authorised and contracted for	475 106	88 727
	2 116 931	218 131
Commitments extend over a three-year period and will be financed from operating cash flows, available borrowing resources and project funding. The anticipated cash outflows are as follows:		
2006	–	218 131
2007	987 931	–
2008	729 500	–
2009	399 500	–
	2 116 931	218 131
Operating lease commitments		
Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows:		
Within one year	614	575
After one year but not more than five years	3 296	785
	3 910	1 360
Other		
Forward commitments of a foreign subsidiary with regard to its inventory of ores, alloys and metals:		
Purchases US\$10 300 (2005: US\$15 500)	70 852	99 333
Sales US\$66 700 (2005: US\$45 600)	458 816	292 230
	200 000	200 000
30. BORROWING CAPACITY		
The borrowing capacity of the holding company, certain of its subsidiary companies and joint venture entities is limited by their respective Articles of Association and is based on their aggregate issued and paid up share capital, share premium and retained earnings, as set out below:		
Assore Limited		
Authorised in terms of the Articles of Association	200 000	200 000
External borrowings at year-end	–	–
Unutilised borrowing capacity	200 000	200 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

	2006 R 000	2005 R 000
30. BORROWING CAPACITY (continued)		
Assmang Limited		
Authorised in terms of the Articles of Association	1 906 877	1 524 557
Less: External borrowings at year-end		
– long-term borrowings	(4 433)	(6 035)
– overdrafts and short-term borrowings	(45 950)	(73 428)
Unutilised borrowing capacity	1 856 494	1 445 094
Minerais U.S. LLC		
Authorised in terms of the Articles of Association	213 189	199 539
Less: External borrowings at year-end		
– overdrafts and short-term borrowings	(207 504)	(153 312)
Unutilised borrowing capacity	5 685	46 227
31. CONTINGENT LIABILITIES		
Holding company		
Holding company guarantees issued to bankers as security for banking facilities provided to subsidiary companies	262 933	246 098
Performance guarantees issued to customers by subsidiary companies	40 694	38 663
	303 627	284 761

The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2005: 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

"A" and "B" preference shares were issued as part of the BEE transaction entered into during the year. If an event of default is triggered in relation to the "A" and "B" preference shares, the provisions of the relevant put option and call agreements entered into will apply as explained in note 21.

32. SEGMENT INFORMATION

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

Business segments

The business of the group is principally mining of ore and beneficiation of alloys. In addition, the group earns revenue from other sources which have been consolidated under a separate heading 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.

R 000	Joint venture mining and beneficiation			Subtotal	Marketing and Shipping	Other mining and beneficiation	Adjustments arising on consolidation	Total
	Iron ore division	Manganese division	Chrome division					
Primary segmental information								
Year to 30 June 2006								
<i>Income statement</i>								
Revenue	705 318	1 004 122	469 409	2 178 849	1 390 695	113 531	(188 598)	3 494 477
Contribution to earnings	199 468	163 429	(29 579)	333 318	303 544	(18 332)	(138 708)	479 822
Contribution to headline earnings	199 452	163 813	(31 939)	331 326	172 084	(18 333)	(161 144)	323 933
<i>Balance sheet</i>								
Consolidated total assets	704 523	1 206 663	831 268	2 742 454	1 734 293	331 278	(899 057)	3 908 968
Consolidated total liabilities	139 008	81 223	615 347	835 578	826 851	239 654	(519 545)	1 382 538
<i>Other information</i>								
Capital expenditure	173 061	119 571	59 883	352 515	4 323	8 768	350 533	716 139
Depreciation and amortisation	60 273	63 738	56 126	180 137	1 961	7 049	9 968	199 115
Net cash inflow/ (outflow) from operating activities	263 363	62 019	44 383	369 765	69 607	(16 737)	47 337	469 972
Cash outflow from investing activities	(169 127)	(118 013)	(42 954)	(330 094)	(219 160)	(17 817)	(116 534)	(683 605)
Cash (outflow)/ inflow from financing activities	(13 608)	(11 920)	(11 100)	(36 628)	14 831	41 151	67 607	86 961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

32. SEGMENT INFORMATION (continued)

R 000	Joint venture mining and beneficiation			Subtotal	Marketing and Shipping	Other mining and beneficiation	Adjustments arising on consolidation	Total
	Iron ore division	Manganese division	Chrome division					
Primary segmental information (continued)								
Year to 30 June 2005								
<i>Income statement</i>								
Revenue	397 155	1 142 180	549 854	2 089 189	1 121 402	227 933	(222 241)	3 216 283
Contribution to earnings	61 750	336 255	35 323	433 328	102 880	15 918	(11 064)	541 062
Contribution to headline earnings	61 394	337 064	39 493	437 951	102 880	15 296	(42 682)	513 445
<i>Balance sheet</i>								
Consolidated total assets	501 129	1 018 407	795 287	2 314 823	672 873	661 627	(412 471)	3 236 852
Consolidated total liabilities	166 833	52 351	571 083	790 267	337 881	339 887	(363 267)	1 104 768
<i>Other information</i>								
Capital expenditure	88 231	161 254	69 725	319 210	727	23 324	–	343 261
Depreciation and amortisation	51 432	42 462	36 217	130 111	543	12 507	–	143 161
Net cash inflow/(outflow) from operating activities	99 444	437 474	39 459	576 377	(20 626)	32 563	50 416	638 730
Cash outflow from investing activities	(87 875)	(156 914)	(54 238)	(299 027)	(687)	(27 897)	(8 924)	(336 535)
Cash inflow/(outflow) from financing activities	9 592	(253 189)	(20 086)	(263 683)	(5 000)	6 806	68 985	(192 892)

32. SEGMENT INFORMATION (continued)

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		Group receivables by segment	
	2006	2005*	2006	2005*
	R 000	R 000	R 000	R 000
Customers by locations				
USA	1 338 855	1 321 431	133 230	156 227
Far East	711 316	558 135	124 722	144 705
Europe	733 318	669 257	176 714	170 714
South Africa	353 444	304 665	175 966	121 099
Other – foreign	357 544	362 795	37 389	30 207
	3 494 477	3 216 283	648 021	622 952

Majority of the group's property, plant and equipment is located in South Africa.

33. 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:

	2006	2005*
	R 000	R 000
Joint venture entity		
Assmang Limited		
– gross commissions received	146 508	157 965
– amounts payable to related parties at year-end	9 194	2 905
– amounts receivable from related parties at year-end	10 321	10 412
Refer to note 5 for details of the joint venture entity		
Foreign subsidiary		
Minerais U.S. LLC		
– commissions received	10 727	19 369
– amounts receivable from related party transactions at year-end	15 586	15 293

Minerais U.S. LLC

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

Refer to note 31 for details of security and guarantees provided on behalf of related parties. Details of the remuneration of key management personnel is included in the Directors' Report.

* Restated – refer changes in accounting policies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006 CONTINUED

34. RETIREMENT BENEFIT INFORMATION

34.1 Pensions

The group sponsors a defined benefit pension fund and a defined contribution plan.

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

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

Defined benefit plans

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

	1 July 2005 R 000
Actuarial present value of assets	121 918
Actuarial present value of liabilities	130 749
Shortfall	(8 831)
Funding level	93,3%

Based on a funding check prepared on 25 August for the 12 months subsequent to 1 July 2005, it has been agreed with the fund actuaries that no specific funding of the deficit is required at this stage. During this period the fund has moved from a R9 million deficit to a R11 million surplus due mainly to better than expected investment returns, which yielded approximately R27 million in the period.

Contributions to the fund by the group which were expensed during the year amounted to R6,8 million (2005: R7,0 million)

The principal actuarial assumptions include:

Economic:

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

Other

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

Defined contribution plans

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

Reviews of the plans are carried out by independent actuaries at regular intervals. Members contribute 7,5% and the company 12,5% of pensionable salaries to the funds.

The amount expensed in the current year was R14,7 million (2005: R11,6 million).

34. RETIREMENT BENEFIT INFORMATION (continued)

34.2 Medical aid

Subsidiary companies

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

Medical aid contributions paid on behalf of current members of staff and pensioners by subsidiary companies amounted to R2,8 million (2005: R3,1 million).

Joint venture entity

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

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

	2006 R 000	2005 R 000
Current service cost	1 034	975
Interest of cost on benefit obligation	1 091	1 701
Net actuarial gain recognised during the year	–	(824)
Net benefit movement for the year	2 125	1 852

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

- a discount rate of 2,0% per annum;
- an increase in health care costs at a rate of 5% per annum;
- assumed rate of return on assets at 5% 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 27 September 2004 for the year ended 30 June 2004.

Provisions in respect of post-retirement health care benefits amounted to R20,9 million (2005: R18,8 million) at the end of the year. Of this amount R2,1 million (2005: R1,9 million credit) was charged against income in the current year.

Medical aid contributions paid on behalf of current members of staff and pensioners by the joint venture entity during the year amounted to R22,0 million (2005: R19,0 million).