



Financial Statements

Consolidated financial statements

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Approval of the annual financial statements

for the year ended 30 June 2012

The annual financial statements of Assore Limited and group annual financial statements for the year ended 30 June 2012, as set out on pages 92 to 155 have been prepared under the supervision of Mr CJ Cory CA(SA), have been audited in accordance with section 30(2)(a) of the Companies Act and were approved by the board of directors in accordance with section 30(3)(c) of the Companies Act on 19 October 2012 and are signed on its behalf by:



Desmond Sacco

Chairman



CJ Cory

Chief Executive Officer

Certificate by Company Secretary

for the year ended 30 June 2012

We certify that the requirements stated in section 88(2)(e) of the Companies Act have been met and that all returns and notices, as are required of a public company in terms of the aforementioned Act, have been submitted to the Companies and Intellectual Property Commission and that such returns and notices are true, correct and up to date.



African Mining and Trust Company Limited

Secretaries

per: CD Stemmett

19 October 2012

Independent auditor's report to the shareholders of Assore Limited

for the year ended 30 June 2012

Report on the financial statements

We have audited the consolidated and separate financial statements of Assore Limited set out on pages 92 to 155, which comprise the statements of financial position as at 30 June 2012, the income statements and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the directors' report and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assore Limited as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the Audit and Risk Committee's report on pages 59 and 60 and the Company Secretary's certificate on page 90 for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.

Director: **Louis Pieter van Breda**

Registered auditor

Chartered Accountant (SA)

Wanderers Office Park

52 Corlett Drive, Illovo

Johannesburg

19 October 2012

Directors' report

for the year ended 30 June 2012

Nature of business

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

The group's principal investment is a 50% (2011: 50%) interest in Assmang Limited (Assmang) which it controls jointly with African Rainbow Minerals Limited (ARM) which is also listed on the JSE. Assmang mines iron, manganese and chrome ores and produces manganese and chrome alloys. In addition, the group mines Wonderstone (a type of pyrophyllite), a portion of which is beneficiated to produce high-precision components, and wear and acid-resistant tiles, which are installed in various mining and industrial applications.

The group, through its wholly owned subsidiary, Ore & Metal Company Limited, is responsible for marketing all products produced by its joint-venture entity and subsidiary companies, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. Details of the group's activities are set out, by activity, in the operational review and commentary (refer pages 20 to 24).

Financial results

The financial position of the group and company and their results for the year ended 30 June 2012 are set out in the annual financial statements of the group (refer page 88) and company (refer page 141) included in this report (the financial statements).

The financial results of the group for the year ended 30 June 2012 are summarised below:

	2012 R'000	2011 R'000
Turnover	12 947 766	10 547 806
Profit for the year	4 047 034	3 249 686
Attributable to:		
Shareholders of the holding company	4 033 013	3 219 754
Non-controlling interests	14 021	29 932
As above	4 047 034	3 249 686
Profit attributable to the shareholders of the holding company as above	4 033 013	3 219 754
Dividends relating to the group's activities for the year under review (refer dividends on page 96)	567 639	538 522
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	349 018	279 214
Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	418 821	349 018
Less: Dividends attributable to treasury shares	(200 200)	(89 710)
Profit for the year after dividends	3 465 374	2 681 232
The attributable interest of the company in the aggregate net profit and losses after taxation of group companies was as follows:		
Jointly controlled entity – 50% (2011: 50%) share		
– Profit for the year	2 429 520	1 880 714
Subsidiary companies		
– Profit	283 691	284 456
– Losses	(299 210)	(11 395)

Control over financial reporting

The directors of the company are responsible for the preparation and fair presentation of the financial statements and related financial information included in this report. The external auditors, Ernst & Young Inc., whose report appears on page 91, are responsible for expressing an opinion on the financial statements based on their audit.

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

The financial statements have been prepared on a going-concern basis and the directors have no reason to believe that any of the businesses in the group, except for the synthetic diamond operation, Xertech, will not be a going concern in the year ahead. With regard to the valuation of assets, the directors are of the opinion that the carrying amounts of all assets included on the statement of financial position are appropriately valued.

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

Jointly controlled entity – Assmang

The group owns 50% (2011: 50%) of the ordinary share capital of Assmang. In accordance with IFRS, the results of Assmang are accounted for by Assore using the proportionate consolidation method and the financial information set out below has been extracted from the audited financial statements of Assmang and its subsidiary companies for the year ended 30 June 2012. With effect from the 2014 financial year, the board is aware that, in order to comply with changes to IFRS, Assmang's results will have to be equity accounted (refer page 103).

The calculation of profit for consolidation purposes was based on the profit of Assmang for the year ended 30 June 2012 and dividends declared during that period, and the financial statements are presented in summarised format below:

Abridged consolidated income statement of Assmang for the year ended 30 June

	2012 R'000	2011 R'000
Turnover	23 688 390	19 074 942
Profit before taxation	9 468 517	8 560 999
Taxation	2 584 529	2 774 192
Earnings	6 883 988	5 786 807
Dividends declared during the year	2 000 000	2 000 000
Profit for the year after dividends paid	4 883 988	3 786 807

Abridged consolidated statement of financial position of Assmang at 30 June

	2012 R'000	2011 R'000
Assets		
Non-current assets	17 937 554	14 765 942
Current assets	12 269 155	9 647 584
Total assets	30 206 709	24 413 526
Equity and liabilities		
Total equity	22 391 314	17 507 225
Non-current liabilities	5 121 923	4 387 812
Current liabilities		
– interest-bearing	–	4 717
– non-interest-bearing	2 693 472	2 513 772
Total equity and liabilities	30 206 709	24 413 526
Capital expenditure	4 517 412	4 097 432
Capital commitments	6 669 108	5 373 626

Directors' report continued
for the year ended 30 June 2012

Directors' emoluments

	Fees (refer note 1) R'000	Salaries R'000	Bonuses (refer note 2) R'000	Contributions to pension scheme R'000	Other fringe benefits (refer note 3) R'000	Total R'000
2012						
Executive						
Desmond Sacco (Chairman)	110	4 264	355	–	582	5 311
CJ Cory (Chief Executive Officer)	96	4 196	14 894	1 078	359	20 623
PC Crous (Technical and Operations)	96	3 688	14 422	947	231	19 384
Non-executive						
EM Southey (Deputy Chairman and lead independent director)	300					300
RJ Carpenter	150					150
ZP Manase (appointed 7 October 2011/resigned 1 November 2011)	11					11
DMJ Ncube (resigned 3 May 2012)	125					125
MC Ramaphosa (resigned 19 August 2011)	20					20
WF Urmson	200					200
Dr JC van der Horst (resigned 31 December 2011)	75					75
Alternate						
PE Sacco	36	1 426	6 277	351	232	8 322
RM Smith (resigned 19 August 2011)	–					–
AD Stalker (appointed 14 October 2011)	36	1 730	8 503	444	243	10 956
BH van Aswegen (appointed 14 October 2011)	–	1 669	8 468	423	259	10 819
	1 255	16 973	52 919	3 243	1 906	76 296
2011						
Executive						
Desmond Sacco (Chairman)	110	4 264	355	–	543	5 272
CJ Cory (Chief Executive Officer)	96	3 886	12 809	969	307	18 067
PC Crous (Technical and Operations)	96	3 414	12 589	851	226	17 176
Non-executive						
EM Southey (appointed Deputy Chairman and lead independent director 10 November 2011)	217					217
RJ Carpenter (retired as executive director 28 February 2011)	114	2 838	11 355	697	17 077	32 081
BM Hawksworth (resigned 27 August 2010)	27					27
DMJ Ncube (appointed 3 May 2011)	25					25
MC Ramaphosa	150					150
WF Urmson (appointed 1 October 2010)	113					113
Dr JC van der Horst	150					150
Alternate						
NG Sacco (resigned 8 March 2011)	–	858	45	72	119	1 094
PE Sacco	36	1 024	514	244	179	1 997
RM Smith	–					–
	1 134	16 284	37 667	2 833	18 451	76 369

Notes:

1. Directors' fees for executives include fees received from Assmang Limited.

2. Due to the shareholding structure the company is unable to offer directors remuneration by way of share incentive or option arrangements and bonuses are determined based on results for the year. Directors owning shares in the group do so in their own right and disclosure thereof is made on page 95.

3. Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, leave paid out, study loan benefits, use of assets and unemployment insurance fund contributions. In 2011, the amount includes the ex-gratia payment made to Mr Carpenter on his retirement after 47 years of service in the group.

Directors' interests in shares of the company

Interests of the directors in the ordinary shares of the company at 30 June 2012 are set out in the table below. There have been no material changes in these interests between year-end and the date of this report.

	Direct beneficial Number of shares		Indirect beneficial Number of shares	
	2012	2011	2012	2011
Executive directors				
Desmond Sacco	868 500	868 500	32 430 490	32 430 490
CJ Cory	50 000	50 000	–	–
PC Crous	16 000	16 000	–	–
Non-executive directors				
EM Southey	–	–	–	–
RJ Carpenter	25 000	112 000	–	–
ZP Manase	–	–	–	–
DMJ Ncube	–	–	–	–
MC Ramaphosa	–	–	–	5 054 585
WF Urmson	–	–	–	–
Dr JC van der Horst	–	–	–	–
Alternate directors				
NG Sacco	–	192 250	–	–
PE Sacco	198 750	198 750	–	–
RM Smith	–	–	–	–
AD Stalker	–	–	–	–
BH van Aswegen	4 505	–	–	–
	1 162 755	1 437 500	32 430 490	37 485 075

Directorate and secretary

The names of the directors, at the date of this report, and details of the company secretary, including its business and postal addresses, are set out on page 156 of this report.

Subsequent to the date of the previous annual report and up to the date of this report the following changes were made to the Assore board:

- 1 November 2011 – Ms ZP Manase resigned as an independent non-executive director;
- 31 December 2011 – Dr JC (Johannes) van der Horst resigned, after serving on the board for 17 years;
- 3 May 2012 – Mr DMJ Ncube resigned as an independent non-executive director;
- 31 August 2012 – Mr PC (Phil) Crous resigned as Group Technical and Operations Director, after serving on the board for 19 years;
- 1 September 2012 – Mr AD (Alastair) Stalker was appointed to the board as Group Marketing Director, and Mr BH (Tiaan) van Aswegen was appointed as Group Technical and Operations Director, both of whom had been appointed as alternate directors on 14 October 2011; and
- 15 October 2012 – Mr S (Sydney) Mhlarhi was appointed as an independent non-executive director and as a member of the Audit and Risk Committee.

In terms of the Memorandum of Incorporation (MOI), Messrs EM Southey and RJ Carpenter are required to retire by rotation at the forthcoming Annual General Meeting (AGM). Messrs S Mhlarhi, AD Stalker and BH van Aswegen were appointed subsequent to the previous AGM and in terms of section 68(3) of the Companies Act are required to be re-appointed at the next AGM. All of the aforementioned directors, being eligible, offer themselves for re-election and a brief *curriculum vitae* for each of these directors is included in the notice of the AGM which was sent to members by registered mail on 29 October 2012.

Directors' report continued

for the year ended 30 June 2012

Analysis of shareholding

The following analysis of shareholders, in accordance with the JSE Listings Requirements, has been established, based on an examination of the company's share register at 30 June 2012. The directors are not aware of any material changes to this analysis between the year-end and the date of this report.

Shareholder spread

Shares held by the public/non-public

Non-public*

- Holders in excess of 10% of the share capital
- Directors of the company

Public 2 108 (2011: 1 008) shareholders

* As defined by Rule 4.25 of the JSE Listings Requirements.

Major shareholders

Oresteel Investments Proprietary Limited

Main Street 460 Proprietary Limited (RF)

Main Street 904 Proprietary Limited (RF) (held 51% and 49% by the Fricker Road Trust and the Assore Employee Trust respectively)

Main Street 343 Proprietary (RF) Limited (a wholly owned subsidiary of Shanduka Resources Proprietary Limited)

Others – less than 5%

2012 %	2011 %
75,23	75,23
0,83	0,89
76,06	76,12
23,94	23,88
100,00	100,00
52,43	52,43
11,01	11,01
11,79	–
–	11,79
75,23	75,23
24,77	24,77
100,00	100,00

Dividends

Earnings for the year were at record levels which enabled the board to increase dividends for the current year as follows:

Dividends recognised in the financial results

Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011

Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012

Less: Dividends attributable to treasury shares

2012 R'000	2011 R'000
349 018	335 057
349 018	279 214
(182 000)	(87 716)
516 036	526 555
349 018	279 214
418 821	349 018
(200 200)	(89 710)
567 639	538 522

Dividends relating to activities for the year under review

Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012

Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012

Less: Dividends attributable to treasury shares

Special resolutions

The following special resolutions were passed during the year under review:

- 10 August 2011 – pursuant to the first phase of the third empowerment transaction (refer “Black economic empowerment status report”, page 65) that the company provide financial assistance to Main Street 904 Proprietary Limited (RF) (MS 904) for the purpose of the acquisition by MS 904 of 16 464 450 of the company’s ordinary shares (the sale shares) from Main Street 343 Proprietary Limited (RF) (MS343);
- 13 January 2012 – pursuant to the second phase of the third empowerment transaction:
 - that the company provide financial assistance to MS 904 for the purpose of the acquisition by MS 904 of the sale shares from MS 343;
 - that the company cancel the previous unissued par value preference shares;
 - that the company create no par value preference shares in the share capital of the company;
 - that the company’s Memorandum of Incorporation be altered to record the alterations to its share capital, and that the company’s Memorandum of Incorporation incorporates the rights, terms and privileges of the no par value preference shares; and
 - that the board be authorised to provide financial assistance to any special-purpose company in relation to the no par value preference shares in favour of the Standard Bank of South Africa Limited.

Event after the reporting period

On 31 August 2012, the board declared a final dividend of 300 cents per share amounting to R418,8 million, which was paid to shareholders on 1 October 2012.

Consolidated statement of financial position

as at 30 June 2012

	Note	2012 R'000	2011 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	9 502 797	7 962 655
Investment properties	3	–	62 130
Intangible assets	4	26 702	2 567
Available-for-sale investments	5	274 058	918 038
Other non-current financial assets	6	106 665	53 051
		9 910 222	8 998 441
Current assets			
Inventories	7	2 177 066	2 005 577
Trade and other receivables	8	2 049 782	1 632 270
Cash deposits held by environmental trusts	15	81 952	70 292
Cash resources		3 242 485	2 264 442
		7 551 285	5 972 581
Total assets		17 461 507	14 971 022
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	9	698	698
Share premium	10	264 092	264 092
Treasury shares	11	(5 051 583)	(2 359 028)
Retained earnings		15 907 437	12 390 460
Other reserves	12	79 758	469 302
Equity attributable to shareholders of the parent		11 200 402	10 765 524
Non-controlling interests		126 858	114 287
Total equity		11 327 260	10 879 811
Non-current liabilities			
Long-term borrowings	13	1 596 100	–
Deferred taxation	14	2 357 001	2 173 621
Long-term provisions	15	342 744	222 888
		4 295 845	2 396 509
Current liabilities			
Trade and other payables	16	1 227 359	1 238 052
Taxation		114 480	192 345
Short-term provisions	17	304 544	110 158
Overdrafts	18	192 019	154 147
		1 838 402	1 694 702
Total equity and liabilities		17 461 507	14 971 022

Consolidated income statement

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Revenue	19	13 612 731	11 180 035
Turnover		12 947 766	10 547 806
Cost of sales		7 337 643	5 908 896
Gross profit		5 610 123	4 638 910
Add: Other income			
Commissions on sales and technical fees		411 302	313 369
Foreign exchange gains (refer note 21)		632 206	254 132
Investment income		236 895	171 010
Profit on disposal of available-for-sale investments		472 200	–
Sundry		231 710	110 221
Less: Other expenses			
Finance costs	20	(217 244)	(77 790)
Foreign exchange losses (refer note 21)		(375 496)	(155 901)
Mining royalty taxes		(490 060)	(138 184)
Staff remuneration and benefits		(281 586)	(223 091)
Sundry expenses		(645 324)	(76 466)
Profit before taxation	21	5 584 726	4 816 210
Taxation	22	1 537 692	1 566 524
Profit for the year		4 047 034	3 249 686
Attributable to:			
Shareholders of the holding company		4 033 013	3 219 754
Non-controlling interests		14 021	29 932
As above		4 047 034	3 249 686
Earnings per share (cents) (basic and diluted)	23	3 827	2 691

Consolidated statement of comprehensive income

for the year ended 30 June 2012

	2012 R'000	2011 R'000
Profit for the year as above	4 047 034	3 249 686
Reclassification of fair value gain on disposal of available-for-sale investments included in income statement, previously recognised in comprehensive income	(406 092)	–
Profit on disposal of available-for-sale investments (as above)	(472 200)	–
Deferred capital gains tax thereon	66 108	–
Gain on revaluation to market value of available-for-sale investments, after taxation	9 952	208 409
Gain on revaluation to market value of available-for-sale investments (refer note 5)	15 734	242 336
Deferred capital gains tax thereon	(5 782)	(33 927)
Exchange differences on translation of foreign operations	13 192	(7 054)
Total comprehensive income for the year, net of tax	3 664 086	3 451 041
Attributable to:		
Shareholders of the holding company	3 643 469	3 424 636
Non-controlling interests	20 617	26 405
As above	3 664 086	3 451 041

Consolidated statement of cash flow

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Cash retained from operating activities		3 757 227	3 485 883
Net cash generated by operations		5 651 700	5 159 643
Cash generated by operations	25.1	6 083 910	5 320 285
Dividend income	25.2	27 739	37 637
Movements in working capital	25.3	(459 949)	(198 279)
Interest income		209 156	133 373
Finance costs	25.4	(147 711)	(64 641)
Taxation paid	25.5	(1 432 177)	(1 202 110)
Dividends paid to shareholders of the holding company	25.6	(515 695)	(526 229)
Dividends paid to non-controlling shareholders		(8 046)	(14 153)
Cash utilised in investing activities		(4 413 156)	(2 226 637)
Acquisition of:			
– shares in the holding company by a subsidiary company	11	(2 692 555)	–
– available-for-sale investments		–	(42 062)
– other investments		(3 936)	–
– Groupline (refer note 4)		(36 103)	–
Additions to property, plant and equipment			
– to maintain operations		(788 331)	(759 807)
– to expand operations		(1 495 715)	(1 441 574)
Net movement in environmental rehabilitation trust funds		(11 660)	(12 365)
Increase in staff housing loans		(53 614)	(21 145)
Proceeds on disposal of			
– property, plant and equipment		5 108	7 838
– available-for-sale investments	25.7	663 650	–
– fixed term investments		–	42 478
Cash generated by/(utilised in) financing activities		1 633 972	(844 786)
Preference shares issued		2 310 000	–
Preference shares redeemed		(708 700)	(894 555)
Other financing activities		32 672	49 769
Cash resources			
– increase for the year		978 043	414 460
– at beginning of year		2 264 442	1 849 982
– at end of year		3 242 485	2 264 442

Consolidated statement of changes in equity

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Share capital			
Balance at beginning and end of year		698	698
Share premium			
Balance at beginning and end of year	10	264 092	264 092
Treasury shares			
Balance at beginning of year		(2 359 028)	(2 359 028)
Acquired during the year		(2 692 555)	–
Balance at end of year	11	(5 051 583)	(2 359 028)
Retained earnings			
Balance at beginning of year		12 390 460	9 697 261
Profit for the year		4 033 013	3 219 754
Ordinary dividends declared during the year		(516 036)	(526 555)
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011		(349 018)	(335 057)
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012		(349 018)	(279 214)
Less: Dividends attributable to treasury shares		182 000	87 716
Balance at end of year		15 907 437	12 390 460
Other reserves			
Balance at beginning of year		469 302	264 420
Other comprehensive (loss)/income arising during the year		(389 544)	204 882
Balance at end of year	12	79 758	469 302
Equity attributable to shareholder of the parent		11 200 402	10 765 524
Non-controlling interests			
Balance at beginning of year		114 287	102 035
– Profit for the year		14 021	29 932
– Other comprehensive income		6 596	(3 527)
Total comprehensive income		20 617	26 405
Dividends paid to non-controlling shareholders		(8 046)	(14 153)
Balance at end of year		126 858	114 287
Total equity		11 327 260	10 879 811

Notes to the consolidated financial statements

for the year ended 30 June 2012

1. Accounting policies

1.1 Basis of preparation

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

1.1.1 Statement of compliance

The 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 (IASB), the South African Companies Act 71 of 2008, the JSE Listings Requirements, and the AC 500 series of accounting standards.

1.1.2 Changes in accounting policies

The following revisions and amendments to IFRS were adopted during the year:

- IFRIC 14 (Amendment) *Prepayment of a Minimum Funding Requirement*
- IFRS 7 (Amendment) *Financial Instruments: Disclosures*
- IAS 24 *Related Party Disclosures*

The following interpretation of IFRS was early adopted during the year:

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

There were no significant changes to the group's results or disclosures, pursuant to the abovementioned adoptions.

In addition to the above changes, a set of Improvements to IFRS issued by the IASB in May 2010 became effective for the group on 1 July 2011. Implementation of these improvements did not have any impact on the results or disclosures of the group.

1.1.3 IFRS and IFRIC interpretations not yet effective

The group has not applied the following IFRS and IFRIC new, revised and amended standards and interpretations which have been issued, as they are not yet effective:

Standard	Description	Effective for financial periods commencing	Anticipated impact
IAS 12	<i>Income Taxes (Amendment)</i> – <i>Deferred Taxes: Recovery of Underlying Assets</i>	January 2012	The amendments introduce a presumption that an investment property is recovered entirely through its sale. This presumption is rebutted if the investment property is held within a business model of which the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through its sale. The group does not expect this amendment to have a material effect on its results or disclosures.
IAS 1	<i>Presentation of Items of Other Comprehensive Income (Amendment)</i>	July 2012	The amendment to IAS 1 requires that items presented within other comprehensive income (OCI) be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. The group does not expect this amendment to have a material effect on its results or disclosures.
IAS 19	<i>Employee Benefits (Revised)</i>	January 2013	The "corridor approach" currently allowed as an alternative basis in IAS 19 for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans will be recognised in other comprehensive income when they occur. For defined benefit plans, the amounts recorded in profit and loss are limited to current and past service costs, gains and losses on settlements and interest income/expenses.

Standard	Description	Effective for financial periods commencing	Anticipated impact
IAS 19	<i>Employee Benefits (Revised)</i>	January 2013	<p>The distinction between short-term and other long-term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified.</p> <p>The group is in the process of determining the impact of the standard on its results or disclosures.</p>
IAS 27	<i>Separate Financial Statements (consequential revision due to the issue of IFRS 10)</i>	January 2013	<p>IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor.</p> <p>The group does not expect this amendment to have a material effect on its results or disclosures.</p>
IAS 28	<i>Investments in Associates and Joint Ventures (consequential revision due to the issue of IFRS 10 and 11)</i>	January 2013	<p>The revised standard caters for consequential changes upon the introduction of IFRS 11 (refer below).</p> <p>The group is in the process of determining the impact of the standard on its results or disclosures.</p>
IFRS 10	<i>Consolidated Financial Statements</i>	January 2013	<p>This new standard includes a new definition of control which is used to determine which entities will be consolidated. This will apply to all entities, including special purpose entities (now known as "structured entities"). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore consolidated, and may result in a change to the entities which are within a group.</p> <p>The group is in the process of determining the impact of the standard on its results.</p>
IFRS 11	<i>Joint Arrangements</i>	January 2013	<p>IFRS 11 replaces IAS 31 <i>Interest in Joint Ventures</i> and SIC 13 <i>Jointly Controlled Entities – Non-monetary Contributions by Venturers</i>. IFRS 11 describes the accounting for a "joint arrangement", which is defined as a contractual arrangement over which two or more parties have joint control. Joint arrangements are classified as either joint operations or joint ventures. IFRS 11 provides a new definition of joint control, and substantially changes the accounting for certain joint arrangements. Jointly controlled assets and jointly controlled operations (as defined under IAS 31, which is currently applicable), are now termed as joint operations under IFRS 11, and the accounting of those arrangements will be the same under IAS 31. That is, the joint operator continues to recognise its assets, liabilities, revenues and expenses, and/or its relative share of those items, if any. Where proportionate consolidation was used to account for jointly controlled entities under IAS 31, such entities will most likely be classified as joint ventures under IFRS 11. The transition to IFRS 11 could result in substantial changes to the financial statements of the joint venturer (now defined as a party that has joint control in a joint venture), due to the requirement that joint ventures will be required to be accounted for using the equity method and that proportionate consolidation will no longer be permitted.</p> <p>Because the group is extensively invested in joint arrangements, the adoption of this standard could result in the financial statements being significantly affected. The group is, however, in the process of determining the impact of the standard on its results.</p>

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

Standard	Description	Effective for financial periods commencing	Anticipated impact
IFRS 12	<i>Disclosures of Interests in Other Entities</i>	January 2013	<p>This new standard describes and includes all the disclosures that are required relating to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. Entities will be required to disclose the judgements made to determine whether it controls another entity.</p> <p>The group is in the process of determining the impact of the standard.</p>
IFRS 13	<i>Fair Value Measurement</i>	January 2013	<p>This new standard provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS.</p> <p>The group is in the process of determining the impact of the standard on its results or disclosures.</p>
IAS 32	<i>Offsetting Financial Assets and Liabilities (Amendments)</i>	January 2014	<p>The amendment clarifies the meaning of the entity currently having a legally enforceable right to set off financial assets and financial liabilities as well as the application of IAS 32 offsetting criteria to settlement systems (such as clearing houses).</p> <p>The group is in the process of determining the impact of the standard on its results.</p>
IFRS 7	<i>Offsetting Financial Assets and Liabilities (Amendments)</i>	January 2013	<p>Provides for additional disclosures relating to offset of financial assets and financial liabilities.</p> <p>The group is in the process of determining the impact of the standard on its disclosures.</p>
IFRS 9	<i>Financial Instruments</i>	January 2015	<p>The IASB intends to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i>, with IFRS 9, which is being prepared on a phased basis. The statement aims to simplify many of the aspects contained in IAS 39, and will be required to be applied retrospectively.</p> <p>Phase 1 of this project, classification and measurement is complete, and the required accounting is as follows:</p> <p>Financial assets:</p> <ul style="list-style-type: none"> • All financial assets are initially measured at fair value; • Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the "business model test" and the "characteristics of financial asset test"; • All other debt instruments are subsequently measured at fair value; • All equity investments are subsequently measured at fair value either through OCI or profit and loss; and • Embedded derivatives contained in non-derivative host contracts are not separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss. <p>Financial liabilities:</p> <ul style="list-style-type: none"> • For liabilities designated as being measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI. The remainder of the change in fair value is presented in profit and loss; and • All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9. <p>The group is in the process of determining the impact of the standard on its results.</p>

In addition to the above revisions, amendments and interpretations, the IASB has published further improvements to IFRS in May 2012. These improvements, effective 1 July 2013, are in the process of being assessed by the group, and are not expected to have any impact on the results and disclosures of the group.

1.2 Significant accounting judgements and estimates

Judgements

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

Consolidation of special-purpose vehicles

The Bokamoso Trust and Fricker Road Trust (the trusts) are broad-based community trusts which are independently controlled by and for the benefit of historically disadvantaged South Africans (HDSAs) as contemplated in the Mining Charter and are therefore not a group entity. The trusts are special-purpose vehicles (SPVs) and because the SPVs are indebted to the group, the trusts and the SPVs have been consolidated in the group financial statements in order to comply with the requirements of IFRS. The Assore Employee Trust is operated by the group, and because the SPV in which the trust is invested is indebted to the group, the trust has been consolidated into the group financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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 listed below.

Project risk and exploration expenditure

In evaluating whether expenditures meet the criteria to be capitalised, the group utilises several different sources of information, including:

- the degree of certainty over the mineralisation of the orebody;
- commercial risks including but limited to country risks; and
- prior exploration knowledge available about the target orebody,

which reduce the level of risk associated with the capitalisation of this expenditure to an acceptable level.

Production stripping costs

The group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore bodies to be mined, the latter being referred to as a stripping activity asset. Judgement is required to distinguish between these two activities at the surface mining operations.

The group is required to identify the separately identifiable components of the ore bodies for each of its surface mining operations. Judgement is required to identify and define these components, and also to determine the expected volumes (tons) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the ore body, the milestones relating to major capital investment decisions and the type and grade of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The group considers the ratio of expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume of waste to the volume of ore to be the most suitable measure of production.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

Notes to the consolidated financial statements continued

for the year ended 30 June 2012

1. Accounting policies (continued)

1.2 Significant accounting judgements and estimates (continued)

Provisions for environmental rehabilitation

The group provides for the estimated costs of rehabilitation which include both restoration and associated decommissioning of assets. An environmental liability assessment is conducted by an independent adviser on an annual basis to assess the adequacy of the environmental rehabilitation provisions. A risk of material adjustment exists due to the inherent uncertainty surrounding the future life of the mines, the forward-looking nature of the provisions and the uncertainty regarding the underlying assumptions.

1.3 Basis of consolidation

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

Subsidiary companies

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

Non-controlling interests represent the portion of profit or loss and net assets not held by the group which are presented separately in the income statement and within equity in the consolidated statement of financial position.

Joint ventures

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

1.4 Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. 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 assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end.

The costs of adding to, replacing part of, or servicing an item, following a major inspection, are 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 reserves, which are being depleted, are amortised over their estimated useful lives using the units-of-production method based on proved and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. The maximum rate of depletion of any mineral right is 25 years. Mineral rights which are not being depleted are not amortised. Mineral rights which have no commercial value are written off in full.

Land, buildings and mine, township and industrial properties

Land is not depreciated. Owner-occupied properties, which are designed for a specific use, are only depreciated if carrying value exceeds estimated residual value, in which case they are depreciated to estimated residual value on a straight-line basis over their estimated useful lives. The annual depreciation rates used vary up to a maximum of a period of 25 years.

Mine, township and industrial 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 five and 19 years, and the units-of-production method based on estimated proved 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.

Production stripping costs

The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets ceases when the mine is commissioned and ready for production.

Where the benefits of production stripping costs are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred, resulting in the creation of mining flexibility and improved access to ore bodies to be mined in the future, the costs are recognised as a non-current asset. These are referred to as stripping activity assets, if:

- future economic benefits (being improved access to the ore body concerned) are probable;
- the component of the ore body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If these criteria are not met, the production stripping costs are charged to the income statement as operating costs.

The stripping activity asset is initially measured at cost, which consists of the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of the ore body and an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. In the event that the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently depreciated over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Based on proven and probable reserves, the units-of-production method is used to determine the expected useful life of the identified component of the ore body that became more accessible.

Prospecting, exploration, mine development and decommissioning assets

Costs related to property acquisitions and mineral and surface rights related to exploration are capitalised and depreciated over a maximum period of 25 years. All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and from which a future economic benefit stream is highly probable.

Exploration expenditure incurred on greenfield sites where the company does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed after which the expenditure is capitalised.

Exploration expenditure incurred on brownfield sites, adjacent to any mineral deposits which are already being mined or developed, is expensed as incurred until the company has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a prefeasibility study that the future economic benefits are highly probable.

1. Accounting policies (continued)

1.4 Property, plant and equipment and depreciation (continued)

Prospecting, exploration, mine development and decommissioning assets (continued)

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised and depreciated on a straight-line basis over a maximum period of 25 years.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Vehicles, furniture and office equipment

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

Vehicles	between 5 and 9 years
Furniture	between 3 and 10 years
Office equipment	between 2 and 11 years

Leased assets

Leased assets are depreciated over the shorter of the lease term or the useful life of the assets leased.

Capital work-in-progress

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

1.5 Leased assets

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

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

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

1.6 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the group elects whether it measures the non-controlling interest in the acquiree at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 as a change to profit and loss. If the consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate accounting standard per IFRS.

Goodwill is initially measured at cost being the excess of the consideration paid over the fair value of the identifiable assets acquired net of the liabilities assumed of the acquired entity. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if changes in circumstances indicate that the carrying value may be impaired based on future income streams of the cash-generating unit.

1.7 Intangible assets other than goodwill

Intangible assets represent proprietary technical information. Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is fair valued as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are not amortised.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are not amortised, and are subjected to annual impairment reviews.

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.

Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

1.8 Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of major capital projects, which require a substantial period of time to be prepared for its intended use, are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are completed.

Other borrowing costs are charged to finance costs in the income statement as incurred.

1.9 Impairment of non-financial assets

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

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

Notes to the consolidated financial statements continued

for the year ended 30 June 2012

1. Accounting policies (continued)

1.10 Treasury shares

Own equity instruments which are acquired are regarded as treasury shares and are regarded as a reduction in equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of treasury shares, as these transactions are taken directly to equity.

1.11 Financial instruments

Recognition methods adopted for financial instruments are described below:

Available-for-sale investments

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

Gains and losses on subsequent measurement of available-for-sale investments are recognised in other comprehensive income until the investment is disposed of, or its original cost is considered to be impaired, at which time the cumulative gain previously reported in other comprehensive income and the impairment below the cost, where considered significant or prolonged, is recognised 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 statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis.

Trade and other receivables

Trade receivables, which generally have 60 to 120-day terms, are initially recognised at fair value and subsequently at amortised cost and are classified as loans and receivables. An impairment charge is recognised when there is evidence that an entity will not be able to collect all amounts due in accordance with the original terms of the receivables. The impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rates. The amount of the impairment is charged to the income statement.

Cash and cash equivalents

Cash and cash equivalents are initially recognised at fair value and subsequently stated at amortised cost.

Preference shares, trade and other payables

Preference shares, trade and other payables are initially recognised at fair value and subsequently stated at amortised cost, being the initial recognised obligation less payments made and any other adjustments plus interest accrued.

Interest-bearing loans and borrowings

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

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

1.12 Derivative financial instruments and hedging

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

The group does not apply hedge accounting and any gains or losses arising from changes in fair value on derivatives are recognised directly in the income statement.

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

1.13 Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognised when the right to receive cash flows from the asset has expired or the group has transferred its rights to receive cash and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. On derecognition of a financial asset, the difference between the proceeds received or receivable and the carrying amount of the asset is included in the income statement.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in the income statement.

1.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.15 Impairment of financial assets

The group assesses at each statement of financial position 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 has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie the effective interest rate computed at initial recognition). The carrying amount of the asset is either reduced directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

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

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

Available-for-sale investments

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement. Impairments recorded against available-for-sale equity instruments are not reversed.

1.16 Foreign currency translation

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

Foreign currency balances

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

1. Accounting policies (continued)

1.16 Foreign currency translation (continued)

Foreign entities

The assets and liabilities of subsidiaries with a different functional currency are translated at the rate of exchange ruling at the statement of financial position date. The income statements of these subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are recognised in other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are reclassified 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 after 1 January 2005 are treated as assets and liabilities of the acquired entity and are recorded at the exchange rate at the date of the transaction and are remeasured at the closing rate at each reporting date.

1.17 Inventories

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

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

1.18 Environmental rehabilitation expenditure

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

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 as finance costs.

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. The related decommissioning asset is amortised using the lesser of the related asset's 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 is 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 assesses the necessity to make 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 to the trust funds are determined in accordance with the estimated environmental obligation divided by the remaining life of a mine after taking into account bankers' guarantees in favour of the Department of Mineral Resources. Income earned on monies paid to the trust is accounted for as net investment income. The environmental trust funds are consolidated.

1.19 Taxation

Current taxation

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 statement of financial position date. Income tax relating to items recognised directly in other comprehensive income is recognised in the statement of other comprehensive income and not in the income statement.

Deferred taxation

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the date of the statement of financial position, 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 the initial recognition of goodwill 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, 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 statement of financial position 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 statement of financial position date.

Income tax relating to items recognised directly in other comprehensive income is recognised in the statement of other comprehensive income 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 taxation (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

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

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

Secondary taxation on companies (STC)

Up until 31 March 2012 (on which date it was abolished), STC was calculated on the declaration date of each dividend, net of dividends received during the dividend cycle, and is included in the taxation expense in the income statement.

1. Accounting policies (continued)

1.19 Taxation (continued)

Mining royalty taxation

Provision for mining royalties is made with reference to the condition specified as contained in the Mining and Petroleum Resources Royalty Act, for the transfer of refined and unrefined mined resources, upon the date such transfer is effected. These costs are included in other expenses.

1.20 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 it is probable that an outflow of economic benefits will occur. The amount recognised as a provision is the best estimate at the statement of financial position 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 pretax 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 finance costs.

1.21 Revenue

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

Sale of mining and beneficiated products

Sale of mining and beneficiated products represents the FOB or CIF sales value of ores and alloys exported and the FOR sales value of ores and alloys sold locally. Sales of mining and beneficiated products are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

Technical fees and commissions on sales

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

Interest received

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

Dividends received

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

Rental income

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

1.22 Share-based payment transactions

Employees of the group are granted share appreciation rights, which are settled in cash (cash-settled transactions).

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using a binomial model. The fair value is expensed over the period until the vesting date with the recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense.

1.23 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 is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised using the "corridor method". 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 vest immediately, following the introduction of, or changes to, a pension plan, past-service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled. The value of any defined benefit asset recognised is restricted to the sum of any past-service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

Contributions to all defined contribution funds are expensed in profit and loss when incurred.

1.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities in the statement of financial position but disclosed in the notes to the financial statements.

1.25 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 non-controlling 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 3/2009 issued by the South African Institute of Chartered Accountants. Adjustments against earnings are made after taking into account attributable taxation and non-controlling 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 in the statement of financial position.

Cost of sales

All costs directly related to the production of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales.

Dividends per share

Dividends declared during the year divided by the weighted number of ordinary shares in issue.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at the carrying value in the notes.

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

	2012			2011		
	Cost	Accumulated depreciation and impairment charges	Carrying amount	Cost	Accumulated depreciation and impairment charges	Carrying amount
	R'000	R'000	R'000	R'000	R'000	R'000
2. Property, plant and equipment						
At year-end						
Mining assets						
Mineral and prospecting rights	435 516	155 872	279 644	435 758	136 577	299 181
Land, buildings and mine properties	849 473	149 728	699 745	812 895	134 595	678 300
Plant and equipment	7 756 367	1 659 558	6 096 809	6 463 787	1 284 513	5 179 274
Prospecting, exploration, mine development and decommissioning assets	1 457 627	264 473	1 193 154	1 257 775	337 628	920 147
Vehicles, furniture and office equipment	1 795 511	790 534	1 004 977	1 242 308	527 579	714 729
Leased assets capitalised	–	–	–	25 614	23 664	1 950
Capital work-in-progress	46 980	30 663	16 317	54 198	–	54 198
	12 341 474	3 050 828	9 290 646	10 292 335	2 444 556	7 847 779
Other assets						
Land and buildings [#]	85 495	5 109	80 386	6 403	–	6 403
Industrial property	40 802	19 732	21 070	19 151	12 506	6 645
Plant and equipment	155 927	103 885	52 042	149 271	101 901	47 370
Vehicles, furniture and office equipment	92 125	35 608	56 525	66 674	24 258	42 416
Capital work-in-progress	2 128	–	2 128	12 042	–	12 042
	376 477	164 334	212 151	253 541	138 665	114 876
	12 717 951	3 215 162	9 502 797	10 545 876	2 583 221	7 962 655

Exchange differences

Exchange gains arising on the translation at year-end of the property, plant and equipment of a foreign subsidiary amounted to R12 213 (2011: R11 714).

Capital work-in-progress

Included in the cost of property, plant and equipment above, are assets with a carrying amount of R1 219,1 million (2011: R1 930,5 million) which relate to projects in progress from which no revenue is currently being derived.

Impairment of assets

Development expenditure in the amount of R144,3 million at Assmang Beeshoek Iron Ore Mine has been fully impaired at year end because it no longer has value-in-use (50% share)

Due to the depressed market for chrome ore and alloys the management of Zeerust Chrome Mines Limited (Zeerust) suspended the opencast operations as from October 2012. Accordingly, the assets of Zeerust have been impaired based on their determined value-in-use, using a nominal discount rate of 10% per annum

Refer note 21.

[#] Land and buildings includes property previously classified as investment property (refer note 3).

2012 R'000	2011 R'000
71 124	–
32 913	–
104 037	–

	Opening carrying amount R'000	Acquisitions R'000	Disposals R'000	Reclassi- fications R'000	Current depreciation/ impairment charges R'000	Closing carrying amount R'000
2. Property, plant and equipment (continued)						
Movement for the year – 2012						
Mining assets						
Mineral and prospecting rights	299 181	–	–	(217)	(19 320)	279 644
Land, buildings and mine properties	678 300	101 576	(335)	(57 039)	(22 757)	699 745
Plant and equipment	5 179 274	1 256 307	(634)	33 739	(371 877)	6 096 809
Prospecting, exploration, mine development and decommissioning assets	920 147	390 464	(1 939)	6 929	(122 447)	1 193 154
Vehicles, furniture and office equipment	714 729	533 833	(4)	11 530	(255 111)	1 004 977
Leased assets capitalised	1 950	–	–	(1 950)	–	–
Capital work-in-progress	54 198	15 378	–	(22 646)	(30 613)	16 317
	7 847 779	2 297 558	(2 912)	(29 654)	(822 125)	9 290 646
Other assets						
Land and buildings#	6 403	62 613	–	11 852	(482)	80 386
Industrial property	6 645	8 216	–	6 301	(92)	21 070
Plant and equipment	47 370	394	–	5 610	(1 332)	52 042
Vehicles, furniture and office equipment	42 416	12 058	–	17 634	(15 583)	56 525
Capital work-in-progress	12 042	2 162	(333)	(11 743)	–	2 128
	114 876	85 443	(333)	29 654	(17 489)	212 151
	7 962 655	2 383 001	(3 245)	–	(839 614)	9 502 797
Movement for the year – 2011						
Mining assets						
Mineral and prospecting rights	321 405	–	–	2 685	(24 909)	299 181
Land, buildings and mine properties	523 601	148 825	(133)	29 923	(23 916)	678 300
Plant and equipment	4 069 989	1 490 071	(13 825)	(72 797)	(294 164)	5 179 274
Prospecting, exploration mine development and decommissioning assets	720 722	230 127	(3 276)	6 299	(33 725)	920 147
Vehicles, furniture and office equipment	537 856	293 240	(18 482)	51 018	(148 903)	714 729
Leased assets capitalised	5 673	–	(633)	–	(3 090)	1 950
Capital work-in-progress	37 308	22 627	–	(5 737)	–	54 198
	6 216 554	2 184 890	(36 349)	11 391	(528 707)	7 847 779
Other assets						
Land and buildings	17 660	–	–	(11 257)	–	6 403
Township property	–	–	–	–	–	–
Industrial property	11 283	–	–	(4 404)	(234)	6 645
Plant and equipment	54 235	28	–	1 832	(8 725)	47 370
Vehicles, furniture and office equipment	44 070	5 379	(1 026)	2 940	(8 947)	42 416
Capital work-in-progress	792	11 753	(1)	(502)	–	12 042
	128 040	17 160	(1 027)	(11 391)	(17 906)	114 876
	6 344 594	2 202 050	(37 376)	–	(546 613)	7 962 655

Land and buildings includes property previously classified as investment property (refer note 3).

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

	2012 R'000	2011 R'000
3. Investment properties		
Land and buildings		
Carrying amount at beginning of year	62 130	62 130
Acquisitions	372	–
Transferred to property, plant and equipment (refer note 2)	(62 502)	–
Carrying amount at end of year	–	62 130
A register containing details of investment properties is available for inspection during business hours at the registered address of the company by shareholders or their duly authorised agents.		
There is no depreciation charge for the year as residual values exceed the carrying amounts.		
4. Intangible assets		
Licences		
Carrying amount at beginning of year	1 149	1 329
Amortisation for the year	(180)	(180)
Carrying amount at end of year	969	1 149
Goodwill		
Carrying amount at beginning of year	1 418	1 418
Acquisition during the year (refer below)	24 315	–
	26 702	2 567

Goodwill represents the excess attributable on the acquisition of a majority stake in an offshore entity prior to 2005, as well as on the acquisition of Group Line Projects Proprietary Limited (Groupline) in the current year, both of which have been assessed for impairment at the date of the statement of financial position. The directors are of the opinion that the goodwill recognised will be recovered in the form of future cash flows anticipated from each of the entities.

Acquisition during the year

On 7 October 2011 the Assore group, through a subsidiary, Wonderstone Limited, acquired 100% of the ordinary share capital of Groupline, whose business includes specification, selection and installation of a range of industrial wear lining products.

The goodwill of R24,32 million arising on the acquisition consists largely of expected synergies by combining the operations of Wonderstone Limited and Groupline.

The following table summarises the consideration paid for Groupline and the fair value of the assets acquired and liabilities assumed at the acquisition date.

	R'000
Fair value of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	1 232
Inventories	4 511
Trade and other receivables	13 423
Trade and other payables	(5 482)
Taxation payable	(268)
Other liabilities	(1 628)
Total identifiable net assets	11 788
Goodwill (as above)	24 315
Total consideration paid to vendors on 7 October 2011	36 103

From the date of acquisition, Groupline has contributed R19,3 million to revenue and has created a loss of R1,9 million. The *pro-forma* impact on group revenue and profit before taxation in the event that the acquisition was effective on 1 July 2011 is not material.

	2012 R'000	2011 R'000
5. Available-for-sale Investments		
Listed – at market value		
Balance at beginning of year	887 249	602 851
Purchases at cost	–	42 062
Disposals at carrying value (refer note 25.7)	(663 650)	–
Fair value adjustment at year end	15 734	242 336
Balance at end of year (refer below)	239 333	887 249
Made up as follows:		
Listed investments – at cost	166 967	358 417
Cumulative fair value adjustment included in other reserves (refer note 12)	72 366	528 832
As above	239 333	887 249
Other unlisted investments – at market value	34 725	30 789
	274 058	918 038
6. Other non-current financial assets		
Housing loans		
Balance at beginning of year	53 051	31 906
Home loans advanced to employees during the year	57 010	22 854
Repayments by employees	(3 396)	(1 709)
Balance at end of year	106 665	53 051
Loans granted to Assmang employees during the year for housing purposes were R53,6 million (2011: R21,1 million), the repayment terms of which vary between five and 20 years. The loans bear interest at the prime lending rate, less 2%, and are secured by the properties concerned.		
7. Inventories		
Raw materials	476 692	245 104
Consumable stores	288 086	222 342
Work-in-progress	130 800	142 116
Finished goods	1 281 488	1 396 015
	2 177 066	2 005 577
Cost of inventory recognised as an expense included in cost of sales for the year	4 684 288	4 085 241
Cost of inventory written down to net realisable value during the year recognised in other expenses (refer note 21)	56 869	91 069
8. Trade and other receivables		
Trade	2 022 734	1 618 028
Other	27 048	14 242
	2 049 782	1 632 270
Trade and other receivables are non-interest-bearing, the terms of which are between 60 and 120 days (for information on credit risk, refer note 26.1).		
9. Share capital		
Authorised		
200 000 000 (2011: 200 000 000) ordinary shares of 0,5 cents each	1 000	1 000
Issued		
Balance at beginning and end of year (139 607 000 (2011: 139 607 000) ordinary shares of 0,5 cents each)	698	698

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

		2012 R'000	2011 R'000
10. Share premium			
Balance at beginning and end of year		264 092	264 092
11. Treasury shares			
Balance at beginning of year		(2 359 028)	(2 359 028)
16 464 450 shares (11,79% of the issued share capital) acquired at R163,00 per share by Main Street 904 Proprietary Limited (RF) (MS 904) on 19 August 2011, which is held 51% and 49% by the Fricker Road Trust and the Assore Employee Trust respectively, both of which are consolidated as they are considered by the directors to be special-purpose vehicles.		(2 683 705)	–
Securities transfer taxation thereon, based on ruling market share price		(8 850)	–
Balance at end of year		(5 051 583)	(2 359 028)
12. Other reserves			
Foreign currency translation reserve arising on consolidation		20 887	14 291
After tax fair value adjustment arising on the revaluation of available-for-sale investments		58 871	455 011
Gross fair value adjustment at year-end (refer note 5)		72 366	528 832
Less: Deferred capital gains taxation thereon		(13 495)	(73 821)
		79 758	469 302
13. Long-term borrowings			
Redeemable preference shares			
23 100 unsecured, cumulative, redeemable, preference shares (shares) issued at R100 000 per share to the Standard Bank of South Africa Limited (SBSA) on 24 February 2012		2 310 000	–
Voluntary redemptions during the year:			
26 March 2012 – 2 139 shares redeemed at a discount of R5 200 000		(213 900)	–
25 June 2012 – 5 000 shares		(500 000)	–
Balance at end of year		1 596 100	–
Redeemable at the latest by the following dates (R'000):			
24 February 2015	672 100		
24 February 2016	462 000		
24 February 2017	462 000		
	1 596 100		
The preference dividend rate is linked to the prime rate as published by the SBSA.			
Long-term portion of finance lease liabilities			
Finance lease liabilities over vehicles with a carrying value of R1,9 million		–	2 359
Less: Repayable within one year included in short-term borrowings (refer note 18)		–	(2 359)
		1 596 100	–

	2012 R'000	2011 R'000
14. Deferred taxation		
At year-end		
Arising on temporary differences:		
– Accelerated capital allowances	2 447 830	2 202 786
– Provisions raised	(112 279)	(104 800)
– Inventories at tax value	(2 552)	(1 812)
– Revaluation of available-for-sale investments	13 495	73 820
– Other	10 507	3 627
	2 357 001	2 173 621
Movements for the year		
Balance at beginning of year	2 173 621	1 713 729
– deferred tax assets	–	71 572
– deferred tax liabilities	2 173 621	1 785 301
 Movements for the current year:		
Arising on temporary differences (refer note 22)	243 705	425 965
– Accelerated capital allowances	245 044	455 282
– Provisions	(7 479)	(33 875)
– Inventories at tax value	(740)	(905)
– Income received in advance	–	5 217
– Other	6 880	246
Arising on revaluation of available-for-sale investments as recorded in the statement of other comprehensive income	(60 325)	33 927
Balance at end of year	2 357 001	2 173 621
15. Long-term provisions		
Environmental obligations (funded as set out below)		
Provision against cost of decommissioning assets	182 770	152 005
Balance at beginning of year	152 005	116 659
Provisions raised during the year	36 388	25 798
Unwinding of discount	10 077	9 548
Reallocation to provision for environmental restoration	(15 700)	–
Provision for cost of environmental restoration	112 973	52 805
Balance at beginning of year	52 805	54 586
Provisions raised/(reversed) during the year	39 543	(5 382)
Reallocation from provision for decommissioning assets	15 700	–
Unwinding of discount	4 925	3 601
Balance at end of year, funded as set out below	295 743	204 810
Post-retirement healthcare benefits (refer note 33.2)		
Balance at beginning of year	11 849	10 597
Increase in benefits payable	1 252	1 252
Balance at end of year	13 101	11 849
Balance carried forward	308 844	216 659

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

	2012 R'000	2011 R'000
15. Long-term provisions (continued)		
Balance brought forward	308 844	216 659
Deferred bonus scheme		
Balance at beginning of year	6 229	32 251
Provision raised/(reversed) during the year	28 657	(2 067)
Transferred to short-term provisions	(986)	(23 955)
Balance at end of year (matures on 1 July 2014)	33 900	6 229
	342 744	222 888
Funding of environmental obligations		
Environmental obligations before funding (as above)	295 743	204 810
Less: Cash deposits held by environmental trusts per statement of financial position	81 952	70 292
Obligation provided for on the balance sheet, but not yet funded	213 791	134 518
The inflation rates applied to estimate costs used in the discounted cash flow to determine the provision for environmental rehabilitation vary between 6% and 8% (2011: 6,5% and 9,5%) and the nominal discount rates vary between 6% and 7,5% (2011: 8,5% and 13%).		
16. Trade and other payables		
Trade	1 174 304	1 180 626
Other	53 055	57 426
	1 227 359	1 238 052
Trade and other payables are non-interest-bearing, the terms of which are between 30 and 60 days.		
17. Short-term provisions		
Bonuses		
Balance at beginning of year	27 890	2 976
Provisions raised during the year	207 856	4 560
Transferred from long-term provisions (refer note 15)	986	23 955
Payments made during the year	(27 555)	(3 601)
Balance at end of year	209 177	27 890
Leave pay		
Balance at beginning of year	50 779	35 787
Provisions raised during the year	17 754	15 039
Payments made during the year	(892)	(47)
Balance at end of year	67 641	50 779
Environmental compliance		
Balance at beginning of year	28 824	45 773
Provisions raised/(reversed) during the year	25 493	(16 949)
Payments made during the year	(27 951)	–
Balance at end of year	26 366	28 824
Other		
Balance at beginning of year	2 665	2 240
Provisions raised during the year	1 138	2 673
Payments made during the year	(2 443)	(2 248)
Balance at end of year	1 360	2 665
	304 544	110 158

	2012 R'000	2011 R'000
18. Overdrafts		
Overdrafts	192 019	151 788
Current portion of long-term borrowings (refer note 13)	–	2 359
	192 019	154 147
Foreign subsidiary, Minerais U.S. LLC , maintains a US dollar denominated overdraft facility with a bank which provides it with the ability to borrow up to an aggregate of US\$50 million (2011: US\$50 million) for working capital purposes. The facility is available on demand and has no expiry date. Interest on the facility accrues at a variable rate of 0,75% (2011: 0,75%) above Libor which at year-end was 0,1695% (2011: 0,13%). Overdraft borrowings mature daily and are guaranteed by the holding company.		
19. Revenue		
Revenue comprises:		
Sales of mining and beneficiated products	12 947 766	10 651 021
Interest received	183 325	133 373
Commissions on sales and technical fees	411 302	313 369
– Gross receipts	795 912	626 739
– Eliminated on proportionate consolidation of Assmang	(384 610)	(313 370)
Dividends received from available-for-sale investments	27 739	37 637
Sales of by-products	20 014	15 907
Other	22 585	28 728
	13 612 731	11 180 035
20. Finance costs		
Paid and accrued on:		
Short-term bridging facility, repaid during the year	149 824	–
Preference shares (refer note 13)	50 179	56 337
Unwinding of discount on provision for environmental obligation (refer note 15)	15 002	13 149
Finance leases and general banking facilities	2 239	8 304
	217 244	77 790

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

	2012 R'000	2011 R'000
21. Profit before taxation		
Profit before taxation is stated after taking into account the following items of income and expenditure:		
Income		
Foreign exchange gains	632 207	254 132
– realised	616 810	216 093
– unrealised	15 397	38 039
Profit on disposal of property, plant and equipment	3 229	407
Expenditure		
Amortisation of intangible assets (refer note 4)	180	180
Auditors' remuneration		
– audit fees	10 251	7 098
– other services	937	504
Cost of inventories written down (refer note 7)	56 869	91 069
Depreciation and impairment charges (refer note 2)	839 614	546 613
Depreciation of mining assets (refer note 2)	718 088	528 707
– Mineral and prospecting rights	19 320	24 909
– Land, buildings and mine properties	22 757	23 916
– Plant and equipment	371 877	294 164
– Prospecting, exploration, mine development and decommissioning assets	51 322	33 725
– Vehicles, furniture and office equipment	252 812	148 903
– Leased assets capitalised	–	3 090
Depreciation of other assets (refer note 2)	17 489	17 906
– Land and buildings	482	–
– Industrial property	92	234
– Plant and equipment	1 332	8 725
– Vehicles, furniture and office equipment	15 583	8 947
Impairment of non-financial assets (refer note 2)	104 037	–
Loss on disposal and scrapping of property, plant and equipment	1 366	–
Foreign exchange losses	375 497	155 901
– realised	350 432	148 471
– unrealised	25 065	7 430
Operating lease expenses	667	650
Professional fees	21 055	12 377
Staff costs (including executive directors' emoluments)		
– salaries and wages	1 407 071	1 089 400
– healthcare costs	43 325	40 438
– pension fund contributions	77 416	35 074
Transfer secretaries' fees	455	382

	2012 R'000	2011 R'000
22. Taxation		
South African normal taxation		
– current year	1 226 100	913 192
– overprovisions relating to prior years	–	(7 739)
State's share of profits	–	92 825
Capital gains tax	66 108	–
Deferred taxation		
– temporary differences arising in current year (refer note 14)	183 381	425 965
Secondary tax on companies	49 063	131 102
Securities transfer taxation	1 676	1 287
Foreign taxation	11 364	9 892
	1 537 692	1 566 524
The current tax charge is reduced 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 subsidiary companies at year-end for which no deferred tax asset is recognised	266 866	240 800
Estimated unredeemed capital expenditure available for reduction of future taxable income on mining operations in certain joint venture and subsidiary companies	77 717	80 380
Reconciliation of tax charge as a percentage of net income before taxation		
Statutory tax rate	28,00	28,00
Adjusted for:		
State's share of profits	–	1,93
Secondary tax on companies	0,88	2,72
Disallowable expenditure	0,45	0,52
Impact of calculated tax losses	(1,38)	(0,07)
Foreign tax rate differential	(0,28)	(0,28)
Capital gains tax	1,19	–
Dividend income	(0,14)	(0,22)
Exempt income	(0,22)	(0,21)
Overprovisions relating to prior years	–	(0,16)
Other	(0,97)	(0,30)
Effective tax rate	27,53	32,53

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

	2012 R'000	2011 R'000
23. Earnings and headline earnings per share		
Earnings per share (cents) (basic and diluted)	3 827	2 691
Headline earnings per share (cents) (basic and diluted)	3 519	2 690
The above calculations were determined using the following information:		
Earnings		
Profit attributable to shareholders of the holding company per income statement	4 033 013	3 219 754
Headline earnings		
Earnings as above	4 033 013	3 219 754
Adjusted for the after taxation effects of:		
Profit on disposal of:		
– property, plant and equipment	(3 229)	(407)
– available-for-sale investments	(406 092)	–
Loss on disposal and scrapping of property, plant and equipment	1 366	–
Impairment of non-financial assets	82 705	–
Headline earnings	3 707 763	3 219 347
Shares in issue		
Weighted number of ordinary shares in issue (000)		
Ordinary shares in issue	139 607	139 607
Treasury shares (refer note 10)	(34 240)	(19 936)
Weighted average number of shares in issue for the year	105 367	119 671
24. Dividends		
Dividends declared during the year		
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	349 018	335 057
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	349 018	279 214
Less: Dividends attributable to treasury shares	(182 000)	(87 716)
	516 036	526 555
Per share (cents)	500	440
Dividends relating to the activities of the group for the year under review		
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	349 018	279 214
Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	418 821	349 018
Less: Dividends attributable to treasury shares	(200 200)	(89 710)
	567 639	538 522
Per share (cents)	550	450

	2012 R'000	2011 R'000
25. Notes to the statement of cash flow		
25.1 Cash generated by operations		
Profit before taxation	5 584 726	4 816 210
Adjusted for:	499 184	504 075
– Amortisation of intangibles	180	180
– Cost of inventories written down (refer note 7)	56 869	91 069
– Depreciation and impairment of property, plant and equipment (refer notes 2 and 21)	839 614	546 613
– Discount and fees on redemption of preference shares	(5 200)	(35 445)
– Dividends received	(27 739)	(37 637)
– Environmental provision discount adjustment	15 002	13 149
– Finance costs	202 242	64 641
– Interest received	(183 325)	(133 373)
– Movements in long-term provisions	66 538	19 601
– Movements in short-term provisions	253 229	5 323
– Net foreign exchange gains	(256 710)	(30 609)
– Other non-cash flow items	12 547	970
– Profit on disposal of available-for-sale investments	(472 200)	–
– Profit on disposal of property, plant and equipment (net)	(1 863)	(407)
	6 083 910	5 320 285
25.2 Dividend income		
Credited to the income statement	27 739	37 637
25.3 Movements in working capital		
Increase in inventories	(228 358)	(324 668)
Increase in trade and other receivables	(160 802)	(99 363)
(Decrease)/increase in trade and other payables	(11 948)	231 647
Payments against short-term provisions	(58 841)	(5 895)
	(459 949)	(198 279)
25.4 Finance costs		
Finance costs per income statement	217 244	77 790
Unwinding of discount on environmental obligations (refer note 15)	(15 002)	(13 149)
Discount received on preference share dividend	(30 727)	–
Accrual raised for preference share dividend	(23 804)	–
	147 711	64 641
25.5 Taxation paid		
Unpaid at beginning of year	(192 345)	(253 895)
Charged to the income statement	(1 537 692)	(1 566 524)
Movement in deferred taxation	183 380	425 964
Unpaid at end of year	114 480	192 345
	(1 432 177)	(1 202 110)
25.6 Dividends paid		
Unpaid at beginning of year	(571)	(245)
Declared during the year	(698 036)	(614 271)
Dividends attributable to treasury shares	182 000	87 716
Unpaid at end of year	912	571
	(515 695)	(526 229)
25.7 Proceeds on disposal of available-for-sale investments (refer note 5)		
Cost at acquisition	191 450	–
Profit on disposal (refer note 25.1)	472 200	–
	663 650	–

26. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

The boards of directors (boards) of all group companies have overall responsibility for the establishment and oversight of the group's risk management framework. These boards have delegated these responsibilities to Executive Committees, which are responsible for the development and monitoring of risk management policies within the group. These committees meet on an ad hoc basis and regularly report to the respective boards on their activities. The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities of the group.

The roles and responsibilities of the committees include:

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

The internal auditors undertake regular and ad hoc reviews of risk management, controls and procedures, the results of which are monitored by the Assore Audit and Risk Committee.

26.1 Credit risk

Credit risk arises from possible defaults on material payments by customers or, where letters of credit have been issued, by bank counterparties. The group minimises credit risk by the careful evaluation of the ongoing creditworthiness of customers and bank counterparties before transactions are concluded. Customers are generally required to raise letters of credit with banking institutions that have acceptable credit ratings. However, certain customers who have well-established credit accounts are allowed to transact on open accounts.

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

Credit exposure and concentrations of credit risk

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

	2012 R'000	2011 R'000
Cash on deposits held by environmental trusts	81 952	70 292
Cash resources	3 242 485	2 264 442
Loans and long-term receivables	106 665	53 051
Trade receivables	2 022 734	1 618 028
– Foreign	1 936 712	1 556 337
– Local	86 022	61 691
Other receivables – local	27 048	14 242

26. Financial risk management (continued)

26.1 Credit risk (continued)

Ageing of loans and receivables

Aged as follows:

	2012			2011		
	Receivables not impaired R'000	Receivables impaired R'000	Carrying value R'000	Receivables not impaired R'000	Receivables impaired R'000	Carrying value R'000
Loans and long-term receivables	106 665	–	106 665	53 051	–	53 051
Not past due, not impaired	106 665	–	106 665	53 051	–	53 051
Past due	–	–	–	–	–	–
Trade receivables	2 022 734	–	2 022 734	1 618 028	–	1 618 028
Not past due, not impaired	2 022 734	–	2 022 734	1 618 028	–	1 618 028
Past due	–	–	–	–	–	–
Other receivables	27 048	–	27 048	14 242	–	14 242
Not past due, not impaired	27 048	–	27 048	14 242	–	14 242
Past due	–	–	–	–	–	–
	2 156 447	–	2 156 447	1 685 321	–	1 685 321
Unsecured	1 801 355	–	1 801 355	926 980	–	926 980
Secured by irrevocable letters of credit, issued by foreign banks	355 112	–	355 112	758 341	–	758 341
As above	2 156 447	–	2 156 447	1 685 321	–	1 685 321

26.2 Liquidity risk

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

Surplus funds are deposited in liquid assets (eg liquid money market accounts) (refer note 25.7).

Undrawn credit facilities

In terms of the Memorandum of Incorporation of the holding company, the borrowing powers are unlimited. However, based on their respective incorporation documents, restrictions on the following joint-venture and subsidiary companies are in place. External borrowings at year-end amounted to R192,0 million (2011: R154,1 million).

	2012 R'000	2011 R'000
Assmang Limited		
Authorised in terms of the Memorandum of Incorporation	11 195 657	8 753 613
Less: External borrowings at year-end		
– Overdrafts and short-term borrowings	–	(3 359)
Unutilised borrowing capacity	11 195 657	8 751 254
Minerais U.S. LLC		
Authorised in terms of its Certificate of Formation	415 260	338 813
External borrowings at year-end	(191 850)	(151 788)
Unutilised borrowing capacity	223 410	187 025

With the exception of the preference share debt referred to in note 13 which is long term, the group is cash positive and does not rely on banking facilities for its day-to-day activities.

The general banking facilities made available to group companies are unsecured, bear interest at rates linked to prime, have no specific maturity dates and are subject to annual review by the banks concerned. The facilities are in place, where necessary, to issue letters of credit, bank guarantees and ensure liquidity.

Notes to the consolidated financial statements *continued*
for the year ended 30 June 2012

26. Financial risk management (continued)

26.2 Liquidity risk (continued)

Exposure to liquidity risk

The following are the terms of cash flows of the group's financial assets and liabilities at year-end as determined by contractual maturity date including interest receipts and payments but excluding the impact of any netting agreements with the third parties concerned.

2012

Financial assets

	Carrying amount R'000	Total cash flows R'000	Less than 4 months R'000	Between 4 and 12 months R'000	Between 1 and 5 years R'000	More than 5 years R'000
Investments	274 058	274 058	–	–	–	274 058
Other non-current financial assets	106 665	106 665	–	–	21 333	85 332
Trade and other receivables	2 049 782	2 049 782	2 049 782	–	–	–
Cash deposits held by environmental trusts	81 952	81 952	81 952	–	–	–
Cash resources	3 242 485	3 242 485	3 242 485	–	–	–
	5 754 942	5 754 942	5 374 219	–	21 333	359 390

Financial liabilities

Preference shares issued	1 596 100	1 955 795	–	102 752	1 854 043	–
Trade and other payables	1 227 359	1 227 359	1 227 359	–	–	–
Overdrafts	192 019	192 019	192 019	–	–	–
Guarantees	180 000	180 000	180 000	–	–	–
	3 195 478	3 555 173	1 599 378	102 752	1 854 043	–

2011

Financial assets

Investments	918 038	918 038	–	–	30 664	887 374
Other non-current financial assets	53 051	53 051	–	–	–	53 051
Trade and other receivables	1 632 270	1 632 270	1 632 270	–	–	–
Cash deposits held by environmental trusts	70 292	70 292	70 292	–	–	–
Cash resources	2 264 442	2 264 442	2 264 442	–	–	–
	4 938 093	4 938 093	3 967 004	–	30 664	940 425

Financial liabilities

Finance lease liabilities	2 359	2 359	–	2 359	–	–
Trade and other payables	1 238 051	1 238 051	1 238 051	–	–	–
Overdrafts	151 788	151 788	151 788	–	–	–
Guarantees	180 000	180 000	180 000	–	–	–
	1 572 198	1 572 198	1 569 839	2 359	–	–

26.3 Market risk

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

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

26. Financial risk management (continued)

26.3 Market risk (continued)

Interest rate risk

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

The board determines the interest rate risk strategy based on economic expectations and recommendations received from the Executive Committees. Interest rates are monitored on an ongoing basis and the policy is to maintain short-term cash surpluses adequate to meet the group's ongoing cash flow requirements at floating rates of interest.

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

	2012 R'000	2011 R'000
Variable rate instruments		
Liabilities		
Preference shares (included in long-term borrowings; refer note 13)	1 596 100	–
Finance leases (refer note 13)	–	2 359
Overdrafts (refer note 18)	192 019	151 788
Assets		
Other non-current financial assets	106 665	53 051
Cash deposits held by environmental trusts per statement of financial position	81 952	70 292
Cash resources	3 242 485	2 264 442
Fair value sensitivity analysis for fixed rate instruments		
The group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit after tax.		
Cash flow sensitivity analysis for variable rate instruments		
An increase of 50 basis points in interest rates at the reporting date would have increased profit after tax by the amounts shown below. This assumes that all other variables remain constant and there is no impact on the group's equity.		
Variable rate instruments	6 972	7 911

Net effect on profit after tax is equal but opposite for a 50 basis points decrease in interest rates on the variable rate instruments listed above.

Commodity price and currency risk

Commodity price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in metal and mineral prices. The group also has transactional foreign exchange exposures, which arise from sales or purchases by the group in currencies other than the group's functional currency. The group's markets are predominantly priced in US dollars and to a lesser extent in euros which exposes the group to the risk that fluctuations in the SA rand exchange rates may have an adverse effect on current or future earnings.

The group manages its commodity price risk where possible by entering into supply contracts with customers covering periods of between three months and a year, depending on the commodity traded. With respect to its exposure to foreign currency fluctuations, the group constantly reviews the extent to which its foreign currency receivables and payables are covered by forward exchange contracts taking into account changes in operational forecasts and market conditions and the group's hedging policy. The group undertakes limited hedging of receivables denominated in US dollars at times when the rand/US dollar exchange rate appears volatile. The level of exposure on these limited hedging activities does not exceed US\$35 million at any stage during the year.

Notes to the consolidated financial statements continued

for the year ended 30 June 2012

26. Financial risk management (continued)

26.3 Market risk (continued)

The group's exposure to currency risk at year-end was as follows:

	2012		2011	
	US dollar (USD) 000	Euro (EUR) 000	US dollar (USD) 000	Euro (EUR) 000
Foreign receivables per statement of financial position	20 397	607	18 585	907
Forward sales commitments	1 506 761	78 634	1 178 442	85 817
Total exposure	1 527 158	79 241	1 197 027	86 724
A 5% strengthening of the rand against the following currencies at 30 June would have decreased profit by the following amounts:				
	R'000	R'000	R'000	R'000
	8 470	317	6 297	445

A 5% weakening of the rand against the above currencies at 30 June would have had an equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Forward exchange contracts and other commitments

At year-end the group had open forward exchange contracts (FECs) in the amount of R277,7 million (2011: Rnil) which are fully optional over a three-month period and mature on various dates over this time. The fair value of the FECs at year-end, determined with reference to the spot rate at year-end and the rates of the FECs was R3,4 million (2011: Rnil), and is included in other receivables.

A foreign subsidiary had forward commitments with regard to its inventory of ores, alloys and metals, which for accounting purposes are regarded as executory contracts and are therefore not included in the statement of financial position, but can be summarised as follows:

	2012		2011	
	Foreign currency notional amount USD'000	Presentation currency notional amount R'000	Foreign currency notional amount USD'000	Presentation currency notional amount R'000
Purchase contracts				
US dollar	4 700	39 034	12 700	86 058
Sales contracts				
US dollar	16 200	134 544	29 100	285 762

Equity price risk

The group's listed and unlisted investment are susceptible to market price risk arising from uncertainties about future value of the investment. The group manages the equity price risk through monitoring developments in the mining and metal industries. The executive directors of the board review and approve all equity investment decisions.

At the reporting date, the exposure to listed investments at fair value was R239,3 million. A decrease of 1% on the relevant market index could have an impact of approximately R2,4 million on the income or equity attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 1% in the value of the listed investments would only impact equity, but would not have an effect on profit or loss.

At the reporting date, the exposure to unlisted equity investments at fair value was R34,7 million. A change of 1% in the overall earnings stream of the valuations performed would result in an increase or decrease of R0,3 million.

26.4 Fair value of financial assets and liabilities

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

	Note	Available- for-sale investments R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Other assets and liabilities R'000	Total carrying value R'000	Fair value R'000
2012							
Financial assets							
Investments	5	239 333			34 725	274 058	274 058
Other non-current financial assets	6		106 665			106 665	106 665
Trade and other receivables	8		2 049 782			2 049 782	2 049 782
Cash deposits held by environmental trusts	15		81 952			81 952	81 952
Cash resources			3 242 485			3 242 485	3 242 485
		239 333	5 480 884		34 725	5 754 942	5 754 942
Financial liabilities							
Interest-bearing borrowings	13			1 596 100		1 596 100	1 596 100
Trade and other payables	16			1 227 359		1 227 359	1 227 359
Overdrafts	18			192 019		192 019	192 019
				3 015 478		3 015 478	3 015 478
2011							
Financial assets							
Investments	5	887 249			30 789	918 038	918 038
Other non-current financial assets			53 051			53 051	53 051
Trade and other receivables	8		1 632 270			1 632 270	1 632 270
Cash deposits held by environmental trusts	15		70 292			70 292	70 292
Cash resources			2 264 442			2 264 442	2 264 442
		887 249	4 020 055		30 789	4 938 093	4 938 093
Financial liabilities							
Trade and other payables	16			1 238 051		1 238 051	1 238 051
Overdrafts	18			154 147		154 147	154 147
				1 392 198		1 392 198	1 392 198

Determination of fair values

Quoted market prices at reporting date have been used to determine the fair value of available-for-sale investments, loans, receivables and interest-bearing borrowings. Where quoted market prices were not available, a valuation technique, most commonly discounted cash flows, was used. Carrying amounts approximate fair value for all other financial assets and liabilities, due to the short-term nature of these items.

Fair value hierarchy

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2012 R'000	2011 R'000
Available-for-sale investments, measured at level 1	274 058	918 038

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

27. Capital management

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

The group holds mineral rights over resources with remaining lives which fluctuate in accordance with current commodity prices (refer "Mineral Resources and Reserves"). Decisions to exploit resources would be made at board level and only following the completion of a bankable feasibility study based on the current life-of-mine and estimated capital cost, operating cost and cost of finance, where required, to ensure that as far as possible the deposit can be mined on a sustainable basis to the end of its estimated life.

The board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The group considers its capital to comprise equity and its borrowing facilities. The group manages its capital structure in light of changes in economic conditions and the board of directors monitors the capital adequacy, solvency and liquidity of the group on a continuous basis.

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

	2012 R'000	2011 R'000
28. Commitments		
Capital		
Expenditure authorised and contracted for	3 131 724	2 351 593
Expenditure authorised but not contracted for	202 830	335 220
	3 334 554	2 686 813
Operating lease commitments		
Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows:		
Within one year	669	587
After one year but not more than five years	1 638	196
	2 307	783
Assmang's commitments have been proportionately consolidated at 50%.		
29. Contingent liabilities		
Holding company and proportion of joint-venture partner's guarantees (at 50%) issued to bankers as security for banking facilities provided to subsidiary and joint-venture companies	636 409	451 701
Performance guarantees issued to customers by subsidiary companies and joint-venture entity	85 178	36 748
	721 587	488 449
The holding company holds a back-to-back guarantee of R180 million (2011: R180 million) issued by the joint-venture entity in respect of claims made in terms of the abovementioned guarantees.		

	2012 R'000	2011 R'000
30. Investment in joint-venture entity		
50% (2011: 50%) interest in Assmang Limited (Assmang), which is controlled jointly in terms of shareholders' agreement between Assore and African Rainbow Minerals Limited (ARM).		
The group financial statements include the following amounts which were proportionately consolidated, being 50% of Assmang:		
Income statement		
Turnover	11 844 195	9 537 471
Cost of sales	(6 323 315)	(5 008 510)
Gross profit	5 520 880	4 528 961
Other operating income	416 572	280 459
Other operating expenses	(1 330 267)	(587 089)
Income from investments	123 690	70 898
Finance costs	(14 143)	(12 729)
Profit before taxation and State's share of profits	4 716 732	4 280 500
Statement of financial position		
Property, plant, equipment and intangibles	9 041 918	7 570 914
Other non-current financial assets	106 665	53 051
Current assets	9 987 560	4 713 372
Elimination of investment in joint-venture entity	(468 153)	(468 153)
Current liabilities		
– interest-bearing	–	2 359
– non-interest-bearing	1 199 719	1 146 466
Deferred taxation	2 446 277	2 060 661
Long-term provisions	323 066	203 884
Distributable reserves	10 885 385	8 455 815
Cash flows		
Cash retained from operating activities	2 878 981	2 413 202
Cash utilised in investing activities	(2 178 915)	(1 822 294)
Cash utilised in financing activities	(2 359)	(3 301)
Cash resources	2 229 246	1 531 539
Commitments		
Future capital expenditure:		
– contracted for	3 131 724	2 351 593
– not contracted for	202 830	335 220
	3 334 554	2 686 813
Contingent liabilities		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 29.		

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

31. Segmental information

The following primary segments are separately monitored by management and form the group's reportable segments:

Joint-venture mining and beneficiation

Assore's principal investment is its 50% share in Assmang Limited (Assmang). Assmang's operations are managed by commodity mined and, where applicable, beneficiated at various works operations. Accordingly, this segment is further analysed as follows:

- Iron ore (Iron ore division);
- Manganese ore and alloys (Manganese division); and
- Chrome and charge chrome (Chrome division).

For purposes of presenting segmental information, disclosure is made of the entire value of the information pertaining to Assmang, with the portion attributable to the other joint-venture partner (50%) shown as part of the consolidation adjustments.

Marketing and shipping

In terms of the joint-venture arrangement with Assmang, Assore and certain of its subsidiaries are responsible for the marketing and shipping of all Assmang's product. In addition, another subsidiary provides consulting and engineering expertise to Assmang and other group companies.

Other mining and beneficiation

This segment contains the chrome operations managed by Rustenburg Minerals Development Company Proprietary Limited and Zeerust Chrome Mines Limited, as well as the pyrophyllite, ceramic and industrial operations by Wonderstone Limited.

	Joint-venture mining and beneficiation Iron ore division R'000	Manganese division R'000	Chrome division R'000	Sub-total R'000	Marketing and shipping R'000	Other mining and beneficiation R'000	Adjustments arising on consolidation R'000	Total R'000
Year to 30 June 2012								
Revenues								
Third party	15 323 509	6 669 635	1 983 526	23 976 670	1 327 879	371 327	(12 063 145)	13 612 731
Inter-segment	–	–	–	–	384 610	260 853	(645 463)	–
Total revenues	15 323 509	6 669 635	1 983 526	23 976 670	1 712 489	632 180	(12 708 608)	13 612 731
Contribution to profit	5 835 547	1 223 279	(174 837)	6 883 989	819 943	(228 924)	(3 441 995)	4 033 013
Contribution to headline earnings	5 935 213	1 222 275	(171 153)	6 986 335	410 608	(196 012)	(3 493 168)	3 707 763
Statement of financial position								
Consolidated total assets	19 718 533	9 316 287	1 171 888	30 206 708	1 648 633	709 520	(15 103 354)	17 461 507
Other information								
Depreciation, amortisation and impairment charges	1 048 007	321 157	162 519	1 531 683	14 256	42 192	(748 517)	839 614
Taxation	2 405 205	237 771	(58 447)	2 584 529	237 352	8 076	(1 292 265)	1 537 692
Capital expenditure	3 339 900	885 760	291 752	4 517 412	9 084	52 709	(2 258 706)	2 320 499
Year to 30 June 2011								
Revenues								
Third party	10 358 436	6 376 483	2 487 215	19 222 134	1 067 873	290 571	(9 400 543)	11 180 035
Inter-segment	–	–	–	–	628 448	3 388	(631 836)	–
Total revenues	10 358 436	6 376 483	2 487 215	19 222 134	1 696 321	293 959	(10 032 379)	11 180 035
Contribution to profit	4 650 908	1 369 738	(233 839)	5 786 807	408 983	(70 043)	(2 905 992)	3 219 755
Contribution to headline earnings	4 653 991	1 377 174	(233 844)	5 797 321	418 610	(85 333)	(2 911 249)	3 219 349
Statement of financial position								
Consolidated total assets	15 081 498	7 862 944	1 586 128	24 530 570	5 825 316	9 816 581	(25 201 445)	14 971 022
Other information								
Depreciation and amortisation	592 661	287 119	147 806	1 027 586	18 059	24 225	(523 257)	546 613
Taxation	1 831 460	1 027 302	(84 573)	2 774 189	171 574	15 111	(1 394 350)	1 566 524
Capital expenditure	3 225 200	656 049	216 183	4 097 432	32 637	120 697	(2 048 716)	2 202 050

31. Segmental information (continued)

Geographical information

Geographical segment by location of customers

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

Customers by location

Far East
Europe
USA
South Africa
Other – foreign
Sub-total
Eliminated on proportionate consolidation

Group revenue by segment 2012 R'000	Group revenue by segment 2011 R'000
18 782 378	14 261 503
1 942 891	2 097 817
1 971 643	2 068 761
2 283 614	2 284 831
92 434	140 163
25 072 960	20 853 075
(11 460 229)	(9 673 040)
13 612 731	11 180 035

Note:

Included in the sub-total of revenue is revenue from one customer amounting to R3 254 million (2011: R2 304 million).

Segmental analysis by location has not been provided with regard to capital expenditure as 99,99% of the group's property, plant and equipment is located in the Republic of South Africa.

32. Related party transactions

Transactions with related parties are concluded at arm's length and under similar terms and conditions to third parties.

The following significant related-party transactions occurred during the year:

Joint-venture partner

African Rainbow Minerals Limited
– commissions paid by subsidiary company
– management fees paid by joint venture entity

2012 R'000	2011 R'000
65 172	85 568
261 826	213 399

Joint-venture company

Assmang Limited (refer note 30)
– gross commissions received
– amounts payable to related parties at year-end
– amounts receivable
Refer note 30 for details of the joint venture entity.

384 610	313 370
110 770	87 029
36 248	23 391

Investor in ultimate holding company

– commissions paid
– amount due at year-end

296 864	177 986
5 587	6 663

Subsidiary companies

Key management personnel of the group:
Holding company (refer "Directors' report")

– Remuneration
– Post-employment benefits

1 061	951
1 061	951
–	–

Subsidiary companies

– Remuneration
– Post-employment benefits

136 834	143 496
129 002	136 251
7 832	7 245

Foreign subsidiary

Minerais U.S. LLC
– commissions received
– amounts receivable

26 692	20 831
40 999	33 679

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 "Directors' report", page 94 for directors' emoluments paid during the year.

Refer notes 18 and 29 for details of security and guarantees provided on behalf of related parties.

Notes to the consolidated financial statements continued
for the year ended 30 June 2012

33. Retirement benefit fund information

33.1 Pensions

Assore Limited is a holding company which operates through its various subsidiary and joint-venture companies and, as such, does not have any employees.

All subsidiary companies provide retirement benefits through either a defined benefit pension fund or a defined contribution pension fund (termed "umbrella fund") and Assmang has made provision for pension plans covering all employees which comprise a defined contribution fund and two defined contribution provident funds administered by employee organisations within the industries in which members are employed.

Subsidiary companies

Defined benefit – Assore Pension Fund

In terms of the Pension Funds Act, the Assore Pension Fund is actuarially valued every three years. The most recently completed statutory actuarial valuation of the fund was performed as at 1 July 2011. The previous valuation performed at 1 July 2008 revealed a 100,3% funding level. An interim check was performed for funding purposes as at 30 June 2012, which revealed a 95,5% funding level (2011: 91,4%). The financial position of the fund at these dates is set out below:

	2012 R'000	2011 R'000
Change in defined benefit obligation		
Benefit obligation at beginning of year	270 496	268 974
Current service cost	21 653	15 626
Interest cost	27 374	25 625
Actuarial (gain)/loss – experience	(4 769)	(5 804)
Actuarial (gain)/loss – assumptions	20 741	25 795
Benefits paid	(4 359)	(59 720)
Benefit obligation at end of year	331 136	270 496
Change in plan assets		
Fair value of plan assets at beginning of year	247 322	252 697
Expected return on plan assets	22 506	24 006
Actuarial gain/(loss) on plan assets – experience and assumptions	(773)	9 738
Employer contributions	45 156	15 186
Employees' contributions	6 491	5 415
Benefits paid	(4 359)	(59 720)
Fair value of plan assets at end of year	316 343	247 322
Net unfunded position	(14 793)	(23 174)
Unrecognised actuarial losses	14 793	23 174
Net pension fund asset	–	–
Components of periodic expense		
Current service cost	21 653	15 626
Interest cost	27 374	25 625
Expected return on plan assets	(22 506)	(24 006)
Amortisation of actuarial loss	25 126	11 526
Net pension cost	51 647	28 771
The allocation of plan assets is as follows:		
	%	%
Equity securities	70	68
Debt securities	21	27
Other (cash, cash awaiting investment, bank account)	9	5
Total	100	100

33. Retirement benefit information (continued)

33.1 Pensions (continued)

Defined benefit – Assore Pension Fund (continued)

	2012 R'000	2011 R'000
Expected contribution next year	53 000	11 000
Experience adjustments on plan liabilities:		
Plan liabilities	4 769	5 804
Actual return on assets	21 733	33 744

Actuarial assumptions

The principal actuarial assumptions for the valuations include:

	%	%
Expected return on assets	8,60	9,10
Post-retirement interest rate	3,80	4,20
Price inflation rate	6,40	6,51
Salary inflation rate	7,40	7,50
Pension increases	4,80	4,88

Other assumptions

Active mortality – Nil.

Pensioner mortality PA (90) – ultimate table, adjusted for two years' additional longevity since the previous year-end.

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.

Since the unrecognised losses exceed the net unfunded position, no pension fund asset has been recognised. Contributions to the fund by the group have been expensed accordingly.

Defined contribution fund

The group and employees contribute 10% and 5% of the umbrella fund respectively. Contributions for the year amounted to R3,0 million (2011: R2,5 million) and the value of the fund amounted to R13,0 million (2011: R9,7 million) at year end.

Joint-venture entity

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.

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

The amount expensed as employer contributions to the fund in the current year was R58,4 million (2011: R34,8 million).

Notes to the consolidated financial statements continued

for the year ended 30 June 2012

33. Retirement benefit information (continued)

33.2 Medical aid

Subsidiary companies

The group contributes 50% of medical aid contributions of employees which is expensed and R4,4 million (2011: R3,0 million) was expensed in this regard during the financial year.

Agreement has been reached with the pensioners and applicable members of staff in terms of which historic obligations to fund medical aid contributions post retirement have been converted to either purchased annuities or a series of lump sum payments into the defined 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.

Joint-venture entity

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

The following table summarises the components of the net benefit expense recognised in the income statement of the joint-venture entity:

	2012 R'000	2011 R'000
Current service cost	552	548
Interest cost on benefit obligation	2 277	2 125
Benefits paid	(951)	(769)
Net actuarial loss recognised	1 320	605
Net benefit movement for the year	3 198	2 508

Sensitivity on accounting provisions for the year ended 30 June 2012:

Change in inflation	Service cost		Interest cost		Accrued liability	
	R'000	% change	R'000	% change	R'000	% change
1% increase	671	22,6	2 603	15,3	30 885	14,8
1% decrease	448	(17,8)	1 972	(12,4)	23 648	(12,1)

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

- a net discount rate of 1,0% (2011: 1,0%) per annum;
- an increase in health care costs at a rate of 8,5% (2011: 9,1%) per annum;
- assumed rate of return on assets at 9,6% (2011: 10,2%) 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 effective for 30 June 2012, and all liabilities have been accrued on this basis.

The provisions raised in respect of post-retirement healthcare benefits amounted to R26,2 million (2011: R23,7 million) at the end of the year. As shown above, an amount of R3,2 million was charged to income statement in the current year (2011: R2,5 million), as a result of the obligation.

Medical aid contributions paid on behalf of current members of staff and pensioners by the joint-venture entity during the year amounted to R82,7 million (2011: R63,2 million).

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Company statement of financial position

as at 30 June 2012

	Note	2012 R'000	2011 R'000
ASSETS			
Non-current assets			
Investment in group companies	1	470 592	470 592
Available-for-sale investments	2	239 458	887 374
Loans to group companies	1	4 930 610	2 137 344
		5 640 660	3 495 310
Current assets			
Other receivables		74 346	17 481
Cash resources		241 409	20 197
		315 755	37 678
Total assets		5 956 415	3 532 988
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	3	698	698
Share premium	4	264 092	264 092
Retained earnings		2 920 812	2 063 731
Other reserves	5	58 871	455 011
Total equity		3 244 473	2 783 532
Non-current liabilities			
Loans from group companies	1	1 078 041	628 039
Long-term borrowings	7	1 596 100	–
Deferred taxation	6	13 495	73 821
		2 687 636	701 860
Current liabilities			
Other payables		19 959	31 434
Taxation		4 347	1 564
Amounts due to group companies		–	14 598
		24 306	47 596
Total equity and liabilities		5 956 415	3 532 988

Company income statement

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Revenue	8	1 191 975	1 156 285
Profit on disposal of available-for-sale investments		472 200	–
Income from investments		1 191 975	1 156 285
Discount on redemption of preference shares		5 200	22 945
Other income		30 727	12 500
Administrative expenses		(17 352)	(4 788)
Finance costs		(50 179)	(56 337)
Profit before taxation	9	1 632 571	1 130 605
Taxation	10	77 454	34 694
Profit for the year		1 555 117	1 095 911
Dividends declared per share (cents)	11	500	450

Company statement of comprehensive income

for the year ended 30 June 2012

	2012 R'000	2011 R'000
Profit for the year as above	1 555 117	1 095 911
Reclassification of fair value gain on disposal of available-for-sale investments included in income statement, previously recognised in comprehensive income	(406 092)	–
Profit on disposal of available-for-sale investments as above	(472 200)	–
Deferred capital gains tax thereon	66 108	–
Gain on revaluation to market value of available-for-sale investments, after taxation	9 952	208 409
Gain on revaluation to market value of available-for-sale investments (refer note 5)	15 734	242 336
Deferred capital gains tax thereon	(5 782)	(33 927)
Total comprehensive income for the year, net of tax	1 158 977	1 304 320

Company statement of cash flow

for the year ended 30 June 2012

	Note	2012 R'000	2011 R'000
Cash retained from operating activities		299 526	450 773
Cash generated by operating activities		1 061 774	1 134 110
Cash utilised in operations	12.1	(17 352)	(4 788)
Investment income	12.2	1 162 405	1 128 849
Movements in working capital	12.3	(83 279)	10 049
Interest income		29 570	27 436
Finance costs		(19 452)	(56 337)
Taxation paid	12.4	(74 671)	(40 491)
Dividends paid	12.5	(697 695)	(613 945)
Cash generated by/(utilised in) investing activities		663 650	(42 062)
Acquisition of available-for-sale investments		–	(42 062)
Proceeds on disposal of available-for-sale investments	12.6	663 650	–
Cash utilised in financing activities		(741 964)	(884 008)
Preference shares issued		2 310 000	–
Preference shares redeemed		(708 700)	(894 555)
Net movement in loans to and from group companies		(2 343 264)	10 547
Cash resources			
– increase/(decrease) for the year		221 212	(475 297)
– at beginning of year		20 197	495 494
– at end of year		241 409	20 197

Company statement of changes in equity

for the year ended 30 June 2012

	2012 R'000	2011 R'000
Share capital		
Balance at beginning and end of year	698	698
Share premium		
Balance at beginning and end of year	264 092	264 092
Other reserves		
Balance at beginning of year	455 011	246 603
Other comprehensive (loss)/income	(396 140)	208 408
Balance at end of year	58 871	455 011
Retained earnings		
Balance at beginning of year	2 063 731	1 582 091
Profit for the year	1 555 117	1 095 911
Ordinary dividends declared during the year		
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	(349 018)	(335 057)
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	(349 018)	(279 214)
Balance at end of year	2 920 812	2 063 731
Total equity	3 244 473	2 783 532

Notes to the company financial statements

for the year ended 30 June 2012

	2012 R'000	2011 R'000
1. Investment in group companies		
Joint-venture entity (refer below)	468 153	468 153
Subsidiary companies (refer below)	2 439	2 439
	470 592	470 592
Investment in joint-venture entity		
Assmang Limited		
1 774 103 (2011: 1 774 103) ordinary shares at cost	468 153	468 153
Directors' valuation	41 728 532	30 650 717
Investment in subsidiary companies		
Shares at cost (refer note 13)	2 439	2 439
Amounts due by/(to) subsidiary companies (refer note 13)		
Loan accounts receivable	4 930 610	2 137 344
Loan accounts payable	(1 078 041)	(628 039)
Current accounts payable	–	(14 598)
	3 852 569	1 494 707
Loan accounts receivable include cumulative redeemable preference shares issued to subsidiary companies in the amount of R4 336 307 (2011: R1 501 407), and have dividend rates of 0,75% (2011: 0,75%) below the prime interest overdraft rate, published by the Standard Bank of South Africa Limited, and have no fixed terms of redemption. The remainder of loan accounts receivable and all loan accounts payable are interest-free with no fixed terms of repayment.		
2. Available-for-sale investments		
Listed – at market value		
Balance at beginning of year	887 249	602 851
Purchases at cost	–	42 062
Disposals at carrying value (refer note 12.6)	(663 650)	–
Fair value adjustment	15 734	242 336
Balance at end of year	239 333	887 249
Unlisted – at cost and directors' valuation	125	125
	239 458	887 374
Listed investments at year-end comprise:		
Listed – at cost	166 967	358 417
Fair value adjustment transferred to other reserves (refer note 5)	72 366	528 832
As above	239 333	887 249
3. Share capital		
Authorised		
200 000 000 (2011: 200 000 000) ordinary shares of 0,5 cents each	1 000	1 000
Issued		
Balance at beginning and end of year (139 607 000 (2011: 139 607 000) ordinary shares of 0,5 cents each)	698	698
4. Share premium		
Balance at year-end and end of year	264 092	264 092
5. Other reserves		
Surplus on the revaluation to fair value of available-for-sale investments per note 2	72 366	528 832
Less: Deferred capital gains tax (refer note 6)	(13 495)	(73 821)
	58 871	455 011

		2012 R'000	2011 R'000
6. Deferred taxation on available-for-sale investments			
Balance at beginning of year		73 821	39 893
Movement for the year		(60 326)	33 928
Balance at end of year		13 495	73 821
7. Long-term borrowings			
Redeemable preference shares			
23 100 unsecured, cumulative, redeemable, preference shares (shares) issued at R100 000 per share to the Standard Bank of South Africa Limited (SBSA) on 24 February 2012		2 310 000	–
Voluntary redemptions during the year:			
26 March 2012 – 2 139 shares redeemed at a discount of R5 200 000		(213 900)	–
25 June 2012 – 5 000 shares		(500 000)	–
Balance at end of year		1 596 100	–
Redeemable at the latest by the following dates (R'000):			
24 February 2015	672 100		
24 February 2016	462 000		
24 February 2017	462 000		
	1 596 100		
The preference dividend rate is linked to the prime rate as published by the SBSA.			
8. Revenue			
Revenue comprises:			
Dividends received		1 162 405	1 128 849
Interest received		29 570	27 436
		1 191 975	1 156 285
9. Profit before taxation			
Profit before taxation is stated after taking into account the following items of income and expenditure:			
Income			
Dividends received from:		1 162 405	1 128 849
– Joint-venture entity		1 000 000	1 000 000
– Joint-venture entity on preference shares issued to BEE SPVs		136 250	92 644
– Available-for-sale investments		26 140	36 205
– Unlisted investments		15	–
Interest received		29 570	27 436
Expenditure			
Auditors' remuneration			
– audit fees		111	101
Directors remuneration paid by a subsidiary		76 296	76 369
– directors' fees		918	1 134
– other services		75 378	75 235
Finance costs – preference share dividends paid and accrued		50 179	56 337

Notes to the company financial statements *continued*
for the year ended 30 June 2012

	2012 R'000	2011 R'000
10. Taxation		
South African normal taxation		
– current year	9 721	11 147
– overprovision relating to prior years	–	(8 400)
Capital gains tax	66 108	–
Secondary tax on companies	–	30 727
Securities transfer taxation	1 625	1 220
	77 454	34 694
Reconciliation of tax rate (%)		
Statutory tax rate	28,00	28,00
Adjusted for:		
Dividend income	(19,94)	(27,96)
Exempt income	(4,05)	(1,56)
Prior year adjustment	–	(0,70)
Disallowable expenditure	0,86	1,02
Capital gains tax on disposal of available-for-sale investments	1,14	–
Secondary tax on companies	–	2,70
Securities transfer taxation	0,03	0,10
Other	(1,30)	1,47
Effective tax rate	4,74	3,07
11. Dividends		
Dividends declared during the year		
Final dividend No 109 of 250 cents (2011: 240 cents) per share – declared on 9 September 2011	349 018	335 057
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	349 018	279 214
	698 036	614 271
Per share (cents)	500	440
Dividends relating to the activities of the group for the year under review		
Interim dividend No 110 of 250 cents (2011: 200 cents) per share – declared on 16 April 2012	349 018	279 214
Final dividend No 111 of 300 cents (2011: 250 cents) per share – declared on 31 August 2012	418 821	349 018
	767 839	628 232
Per share (cents)	550	450

	2012 R'000	2011 R'000
12. Notes to the statement of cash flow		
12.1 Cash utilised in operations		
Profit before taxation	1 632 571	1 130 605
Adjusted for:		
	(1 649 923)	1 135 393
– Dividends received	(1 162 405)	(1 128 849)
– Interest received	(29 570)	(27 436)
– Profit on disposal of available-for-sale investments	(472 200)	–
– Discount and fees on redemption of preference shares	(5 200)	(35 445)
– Other income	(30 727)	–
– Finance costs	50 179	56 337
	(17 352)	(4 788)
12.2 Investment income		
Dividends received (refer note 9)	1 162 405	1 128 849
12.3 Movements in working capital		
Increase in other receivables	(56 865)	(14 598)
(Increase)/decrease in amounts owing by group companies	(14 598)	11 076
(Decrease)/increase in other payables	(11 816)	13 571
	(83 279)	10 049
12.4 Taxation paid		
Unpaid at beginning of year	(1 564)	(7 361)
Charged to the income statement	(77 454)	(34 694)
Unpaid at end of year	4 347	1 564
	(74 671)	(40 491)
12.5 Dividends paid		
Unpaid at beginning of year	(571)	(245)
Declared during the year	(698 036)	(614 271)
Unpaid at end of year	912	571
	(697 695)	(613 945)
12.6 Proceeds on disposal of available-for-sale investments (refer note 2)		
Comprises:		
Cost at acquisition	191 450	–
Profit on disposal (refer note 12.1)	472 200	–
	663 650	–

Notes to the company financial statements continued
for the year ended 30 June 2012

	Issued share capital 2012/2011 R	Direct/ indirect interest in share capital 2012/2011 %	Shares at cost 2012 R 000	2011 R 000	Amounts due from/(to) subsidiary companies 2012 R 000	2011 R 000
13. Interest of company in its subsidiary companies						
Incorporated in South Africa						
African Mining and Trust Company Limited	1 000 000	100	1 200	1 200	–	(14 598)
Ceramox Proprietary Limited ^(D)	100	100	1 124	1 124	–	–
Erf 1263 Parkview Extension 1 Proprietary Limited	1	100	–	–	–	–
Erven 27 and 28 Illovo Proprietary Limited	100	100	–	–	–	–
Erven 40 and 41 Illovo Proprietary Limited	100	100	–	–	–	–
General Nominees Proprietary Limited ^(D)	4	100	–	–	–	–
Group Line Projects Proprietary Limited ^(D)	100	100	36 228	–	–	–
Main Street 350 Proprietary Limited (RF)	99	49	–	–	2 080 610	2 137 344
Main Street 460 Proprietary Limited (RF)	–	–	–	–	–	–
Main Street 904 Proprietary Limited (RF)	28 500	–	–	–	2 850 000	–
Minerais Holdings Proprietary Limited	100	100	10 887	10 887	–	–
Ore & Metal Company Limited	100 000	100	105	105	(1 078 041)	(628 039)
Rustenburg Minerals Development Company Proprietary Limited	232 143	56	232 143	232 143	–	–
Wonderstone Limited	10 000	100	10	10	–	–
Wonderstone 1937 Limited ^(D)	45 940	100	35	35	–	–
Xertech Proprietary Limited	100	100	–	–	–	–
Zeerust Chrome Mines Limited	1 300 000	100	1 114	1 114	–	–
Incorporated in Namibia						
Krantzberg Mines Limited	500 000	100	–	–	–	–
Incorporated in the United States of America						
Minerais U.S. LLC	17 756 100	51	11 418	11 418	–	–
			294 264	258 036	3 852 569	1 494 707
Less – held indirectly			(290 711)	(254 483)	–	–
– provided against			(1 114)	(1 114)	–	–
Per note 1			2 439	2 439	3 852 569	1 494 707

^(D) Dormant companies

14. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The roles and responsibilities of the committee include:

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

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

14.1 Credit risk

Credit exposure and concentrations of credit risk

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

	2012 R'000	2011 R'000
Loans to group companies	4 930 610	2 137 344
Cash resources	241 409	20 197
Other receivables – local	74 346	17 481

Ageing of other receivables (preference dividends receivable from subsidiary companies)

Aged as follows:

	2012			2011		
	Receivables not impaired R'000	Receivables impaired R'000	Carrying value R'000	Receivables not impaired R'000	Receivables impaired R'000	Carrying value R'000
Not past due, not impaired	74 346	–	74 346	17 481	–	17 481

Loans and receivables

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

Notes to the company financial statements continued
for the year ended 30 June 2012

14. Financial risk management (continued)

14.2 Liquidity risk

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

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

The borrowing capacity of the company is determined by its Memorandum of Incorporation in terms of which there is no restriction on its borrowing powers.

Exposure to liquidity risk

The following are the cash flows of the company's financial assets and liabilities at year-end as determined by contractual maturity date including interest receipts and payments but excluding the impact of any netting agreements with the third parties concerned.

	Carrying amount R'000	Less than 4 months R'000	Between 4 and 12 months R'000	Between 1 and 5 years R'000	More than 5 years R'000
2012					
Financial assets					
Investment in group companies	470 592	–	–	–	470 592
Investments	239 458	–	–	–	239 458
Loans to group companies	4 930 610	–	–	–	4 930 610
Other receivables	74 346	74 346	–	–	–
Cash resources	241 409	241 409	–	–	–
	5 956 415	315 755	–	–	5 640 660
Financial liabilities					
Preference shares issued	1 596 100	–	102 752	1 854 043	–
Loans from group companies	1 078 041	–	–	1 078 041	–
Other payables	19 959	19 959	–	–	–
Guarantees	180 000	180 000	–	–	–
	2 874 115	199 959	102 752	2 932 084	–
2011					
Financial assets					
Investment in group companies	470 592	–	–	–	470 592
Investments	887 374	–	–	–	887 374
Loans to group companies	2 137 344	–	–	–	2 137 344
Other receivables	17 481	17 481	–	–	–
Cash resources	20 197	20 197	–	–	–
	3 532 988	37 678	–	–	3 495 310
Financial liabilities					
Loans from group companies	628 039	–	–	628 039	–
Other payables	31 434	31 434	–	–	–
Amounts due to group companies	14 598	14 598	–	–	–
Guarantees	180 000	180 000	–	–	–
	854 071	226 032	–	628 039	–

14. Financial risk management (continued)

14.3 Market risk

Market risk is defined as the risk that movements in market risk factors will affect the company's revenue and operational costs as well as the value of its holdings of financial instruments. The objective of the company's market risk management policy is to manage and control market risk exposures to minimise the impact of adverse market movements with respect to revenue protection and to optimise the funding of the business operations.

Market risk information is prepared and submitted to the Executive Committee where it is monitored and further analysed to be used in the decision-making process. The information submitted includes information on currency and interest rates and is used by the committee to determine the market risk strategy going forward. In addition, key market risk information is reported to the Executive Committee on a weekly basis and forecasts against budget are prepared on a monthly basis.

Interest rate risk

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

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

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

	2012 R'000	2011 R'000
Variable rate instruments		
Liabilities		
Preference shares (included in long-term borrowings, refer note 7)	1 596 100	–
Assets		
Cash resources	241 408	20 196
Fair value sensitivity analysis for fixed rate instruments		
The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit or loss.		
Cash flow sensitivity analysis for variable rate instruments		
An increase of 50 basis points in interest rates at the reporting date would have decreased profit after tax by the amounts shown below. This assumes that all other variables remain constant. There is no impact on the company's equity.		
Variable rate instruments	(7 112)	73

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

Equity price risk

The company's listed and unlisted investments are susceptible to market price risk arising from uncertainties about future values of the investments. The company manages the equity price risk through monitoring developments in the mining and metal industries. The executive directors review and approve all investment decisions.

At the reporting date, the exposure to listed investment securities at fair value was R239,3 million. A decrease of 1% on the relevant market index could have an impact of approximately R2,4 million on the income or equity attributable to the company, depending on whether or not the decline is significant or prolonged. An increase of 1% in the value of the listed investments would only impact equity, but would not have an effect on profit or loss.

At the reporting date, the exposure to unlisted equity investments at fair value was R34,7 million. A change of 1% in the overall earnings stream of the valuations performed would result in an increase or decrease of R0,3 million.

Notes to the company financial statements continued
for the year ended 30 June 2012

14. Financial risk management (continued)

14.4 Fair value of financial assets and liabilities

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

	Available- for-sale investments R'000	Loans and receivables R'000	Liabilities at amortised cost R'000	Other assets and liabilities R'000	Total carrying value R'000	Fair value R'000
2012						
Financial assets						
Investment in group companies				470 592	470 592	470 592
Investments	239 333			125	239 458	239 458
Loans to group companies		4 930 610			4 930 610	4 930 610
Other receivables		74 346			74 346	74 346
Cash resources		241 409			241 409	241 409
	239 333	5 246 365		470 717	5 956 415	5 956 415
Financial liabilities						
Preference shares issued			1 596 100		1 596 100	1 596 100
Loans from group companies			1 078 041		1 078 041	1 078 041
Other payables			19 959		19 959	19 959
			2 694 100		2 694 100	2 694 100
2011						
Financial assets						
Investment in group companies				470 592	470 592	470 592
Investments	887 249			125	887 374	887 374
Loans to group companies		2 137 344			2 137 344	2 137 344
Other receivables		17 481			17 481	17 481
Cash resources		20 197			20 197	20 197
	887 249	2 175 022		470 717	3 532 988	3 532 988
Financial liabilities						
Loans from group companies			628 039		628 039	628 039
Other payables			31 434		31 434	31 434
Amounts due to group companies			14 598		14 598	14 598
			674 071		674 071	674 071

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	2012 R'000	2011 R'000
Available-for-sale investments as above measured at level 1	239 458	887 374

15. Capital management

The company holds interests in companies that own mineral rights over resources with remaining lives which vary in accordance with current commodity prices (refer "Mineral Resources and Reserves"). Decisions to exploit resources would be made at board level and only following the completion of a bankable study based on the current life-of-mine and estimated capital cost, operating cost and cost of finance, where required, so that the deposit can be mined on a sustainable basis to the end of its estimated life.

The board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The company considers its capital to comprise total equity. The company manages its capital structure in light of changes in economic conditions and the board of directors monitors the capital adequacy, solvency and liquidity of the company on a continuous basis.

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

16. Contingent liabilities Guarantees

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

The company holds a back-to-back guarantee of R180 million (2011: R180 million) issued by the joint-venture entity in respect of claims made in terms of the abovementioned guarantees.

2012 R'000	2011 R'000
415 260	338 813

17. Related-party transactions

Transactions with related parties are concluded at arm's length and under similar terms and conditions to third parties.

The following significant related-party transactions occurred during the year:

Management fees paid to subsidiary company
Dividends received from joint-venture entity
Preference dividends received from subsidiary companies

2012 R'000	2011 R'000
137	105
1 000 000	1 000 000
136 250	92 644

Corporate information

Directors

Executive directors

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

Non-executive directors

EM Southey (Deputy Chairman and lead independent director)**
RJ Carpenter
S Mhlarhi†*
WF Urmsom**

Alternate director

PE Sacco (alternate to Desmond Sacco)

Member of the Remuneration Committee

† Independent

* Member of the Audit and Risk Committee

Secretary and registered office

African Mining and Trust Company Limited
Assore House
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Illovo Boulevard
Johannesburg, 2196

Postal address

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Northlands, 2116
Email: info@assore.com

www.assore.com

Transfer secretaries and share transfer office

Computershare Investor
Services (Proprietary) Limited
70 Marshall Street
Johannesburg, 2001

Auditors

Ernst & Young Inc.
Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg, 2196

Attorneys

Webber Wentzel
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196

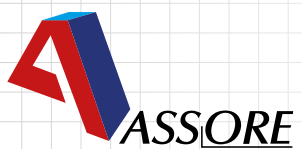
Norton Rose South Africa
15 Alice Lane
Sandton, 2196

Bankers

The Standard Bank of South Africa Limited
88 Commissioner Street
Johannesburg, 2001

Corporate information

Assore Limited
Incorporated in the Republic of South Africa
Company registration number: 1950/037394/06
Share code: ASR
ISIN: ZAE000146932



www.assore.com