ASSORE

Annual Report

2001

Assore Limited is a mining holding company principally engaged in ventures involving base minerals and metals. The group, through its various joint venture entities and subsidiary companies, is currently involved in the mining of manganese, iron and chrome ores together with other industrial minerals and the manufacture of manganese and chrome alloys. Assore is also responsible for marketing all products produced, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally.

The company was incorporated in 1950 and its shares are listed on the JSE Securities Exchange South Africa (JSE) under "ASSORE" in the Mining Holding and Houses sector.

Contents

North facade of the new Assore House situated in the Illovo Boulevard.
Occupation was taken in September 2001

Directors and Corporate Information




Executive directors

Desmond Sacco *(Chairman and Managing Director)*
R J Carpenter *(Deputy Chairman)*
C J Cory* *(Group Financial Director)*
P C Crous *(Group Technical Director)*

Non-executive directors

R A Chute*
J S de Wet
B M Hawksworth*

Alternate director

J W Lewis *(British)*

**Member of the Audit Committee*

Corporate Information

Company Registration Number: 1950/037394/06
Incorporated in South Africa

Secretary and Registered Office

African Mining and Trust Company Limited
Assore House
15 Fricker Road
Illovo Boulevard
Johannesburg 2196

Postal address

Private Bag X03
Northlands
2116
e-Mail: info@assore.com

Transfer secretaries and share transfer office

Computershare Services Limited
41 Fox Street
Johannesburg 2001

Attorneys

Deneys Reitz
82 Maude Street
Sandton 2196

Webber Wentzel Bowens
10 Fricker Road
Illovo Boulevard
Johannesburg 2196

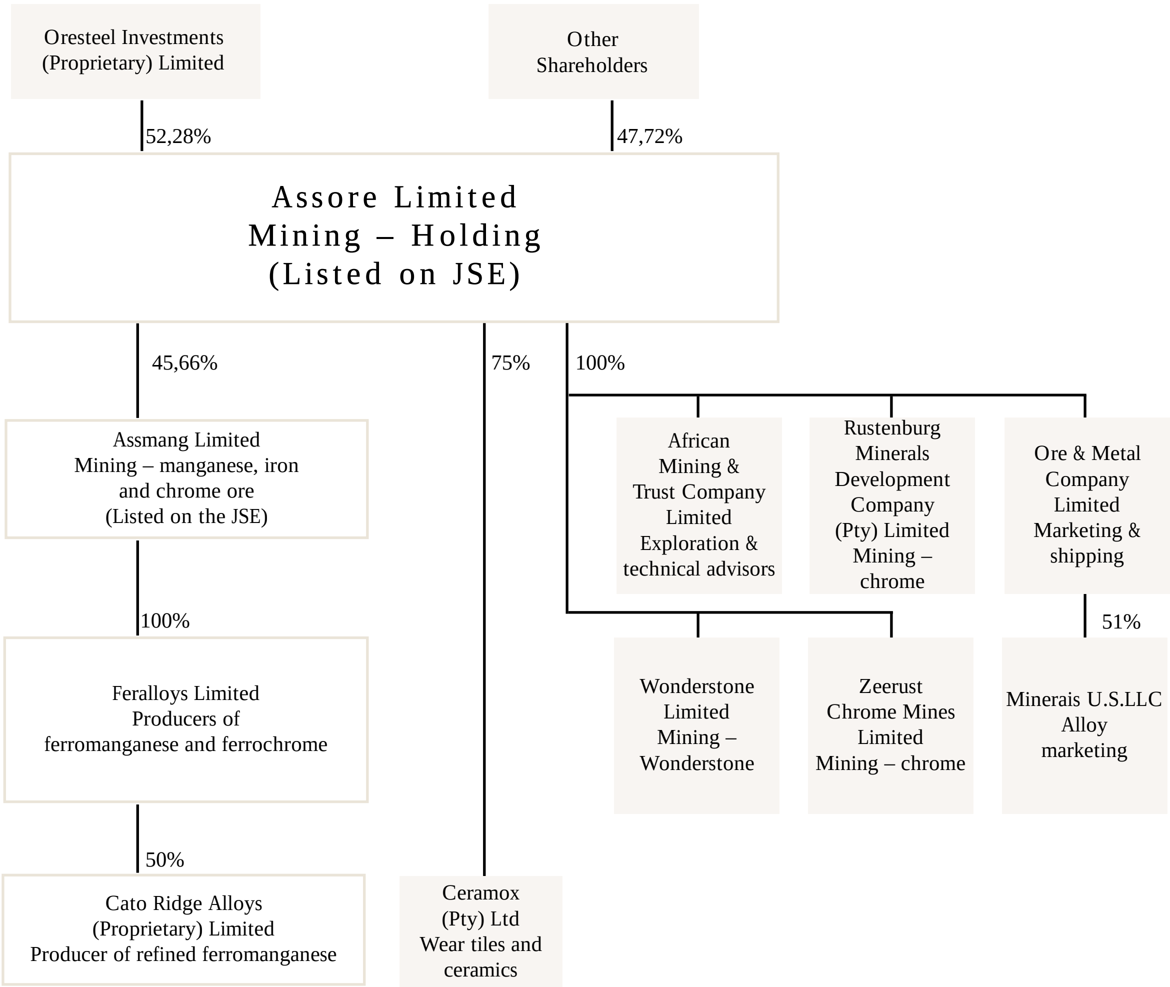
Auditors

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

Bankers

The Standard Bank
of South Africa Limited
88 Commissioner Street
Johannesburg 2000

Group Structure of Operating Companies



Chairman's Statement

for the year ended 30 June 2001

The year under review

As stated in my previous report to shareholders, Assore started the year under review with expectations of improved trading conditions in most of the markets in which it participates and those expectations have been largely fulfilled. A fairly steady decline in the value of the South African Rand against the major trading currencies, and particularly the US dollar, has continued and has provided an almost predictable growth in the value of South African mining products sold in dollars on the international markets. In addition, the continuation of a strong economy in the United States into the past financial year, carrying thriving world trade along with it, has provided volume growth in most of our products.

In the latter half of the year, the probability of a significant change in the fortunes of the US-led world economy became apparent and repeated cuts in interest rates by the Federal Reserve have been unable, to date, to reverse the weaker trend. Subsequent to the year-end, the catastrophic attacks on New York and the effects of the likely response have caused increasing consensus that the USA economy could experience a growth level of below 1% in its latest year if not move into negative territory.

Results

Reflecting a marked improvement in margins, earnings for the year increased by 55,2% to R139,0 million (2000: R89,6 million) from turnover which rose by 18,9% to R1 146,1 million (2000: R963,6 million). Both earnings and turnover were affected significantly by the contribution from the group's 45,66% stake in Assmang Limited ("Assmang"), which is partially consolidated. The results of Assmang improved notably from the weakening of the SA Rand/US dollar exchange rate, particularly in the second half of the year, as were the fees generated by Assore as agent for the sale of Assmang's products.

Sales volumes

With the exception of manganese alloys, all volumes reflected increases on the previous year with charge chrome showing a significant improvement in the second half.

	2001 '000 mt	2000 '000 mt
Iron ore	4 310	4 170
Manganese ore	979	926
Manganese alloys	193	206
Charge chrome	125	114

Capital expenditure

Capital expenditure during the year was targeted primarily at Assmang's mines and alloy works, comprising the following capital projects:

- completion of the Dwarsrivier chrome mine which came into operation earlier this year (R190 million);
- charge chrome expansion at Machadodorp works consisting of a 54 MVA furnace with preheater and pelletising plant (R375 million);
- iron ore jig plant to upgrade contaminated ore which came into operation during June (R97 million);
- construction of the new shaft complex at N'chwaning manganese mine, scheduled for completion in the second half of 2003 (R517 million).

Part of the R97 million iron ore jig plant commissioned on schedule to treat and upgrade iron ore contaminated with waste during the mining process

Borrowings

Short-term borrowings increased significantly to R478,1 million (2000: R309,2 million) and were required to fund the capital projects referred to above. The level of borrowings is temporary and will reduce significantly when Assmang receives the proceeds on the disposal of its Platinum Group Metal Minerals Rights (PGMMR's), on the farm Dwarsrivier, which were disposed of earlier in the year for R551 million. It is anticipated that the proceeds will probably be received by the end of the calender year.

Corporate programmes

The group remains committed to contributing to the economic and social development of the communities in which it operates and the group conducts its business in compliance with all applicable legal requirements.

The diverse programme of community projects in which the group involves itself has, over the years, made significant progress towards improving prevailing socio-economic conditions through collaboration with relevant social partners at all mines and works. These programmes include a focus on education, life skills training, environmental projects and health care.

Throughout the group's operations health of its employees and safety of operational facilities as well as protection of the surrounding environment are an integral part of everyday business activities and the following is noteworthy in this regard:

- the mining operations in the Northern Cape were awarded numerous safety honours during the year;
- all mines and works are in an advanced process to obtain ISO 14000 accreditation;
- an investigation conducted at the chrome division has revealed that the works comply with requirements pertaining to Chrome-6; and
- various other environmental activities were completed during the year, including the preservation of indigenous fauna, the prevention of water pollution and controlling dust contamination.

  The group strives to ensure that all employees have the benefit of fair and equitable recruitment procedures, working conditions and health care and the group promotes career development opportunities for all employees. The group is involved in a process for the collection of data by means of a survey to ascertain estimates of the current direct and indirect costs associated with HIV/AIDS at each level of the organisation.

Outlook

The tragic events that took place in the United States on 11 September 2001, and the possible consequences, have made the prediction of the future outlook even more difficult than usual. I can only comment on the matters on which I have some knowledge and experience and shall therefore limit my remarks to that. In doing so, I must state that should the world enter a period of extended hostilities, the effects on the markets for strategic minerals could be significantly influenced.

World crude steel production for calendar 2001 is currently only marginally below the record level of the year 2000. However, this disguises the fact that production in North America is significantly reduced while production in Asia continues at high levels. With the downturn in world economic growth which could occur over the next year, it is anticipated that steel production will fall with a consequent reduction in global demand for iron ore, manganese ore and manganese alloys. However, this should not affect shipments of iron ore by Assmang which could increase in the coming year provided the additional capacity on the Saldanha Bay rail and port facilities is achieved.

Iron ore and manganese ore prices are expected to show slight increases in the coming year whereas manganese alloy prices have already fallen significantly in most markets in the last six months and are expected to remain under pressure.

Global stainless steel production has been significantly reduced in 2001 and although demand and production are now reasonably balanced, no increase is anticipated until the first quarter of the calendar year 2002 at the earliest. Despite significant cutbacks by major ferrochrome producers, there is still a significant stock overhang in the market and, with the commissioning of additional ferrochrome capacity which is currently underway, mainly in South Africa, both prices and volumes will continue to be vulnerable.

As the results in the current year have shown, the group remains significantly exposed to movements in the SA Rand/US dollar exchange rate. This market has been difficult to call during the current financial year and latest international developments suggest that it will remain so in the foreseeable future.

In view of the level of short-term borrowings, the group remains exposed to fluctuations in the prime rate of interest. This exposure will be reduced to some extent over the year when the proceeds on the disposal of the PGMMR's have been received and borrowings are normalised.

Appreciation

Although circumstances during the year were generally favourable to the affairs of the group, it requires constant vigilance and dedication to those affairs to achieve optimal benefits and the performance reported on reflects such dedication by all concerned. I thank them for their contribution and for the comfort that, in the possibly more difficult times that lie ahead, we can trust in their continuing commitment and support.

Desmond Sacco
Chairman

17 September 2001

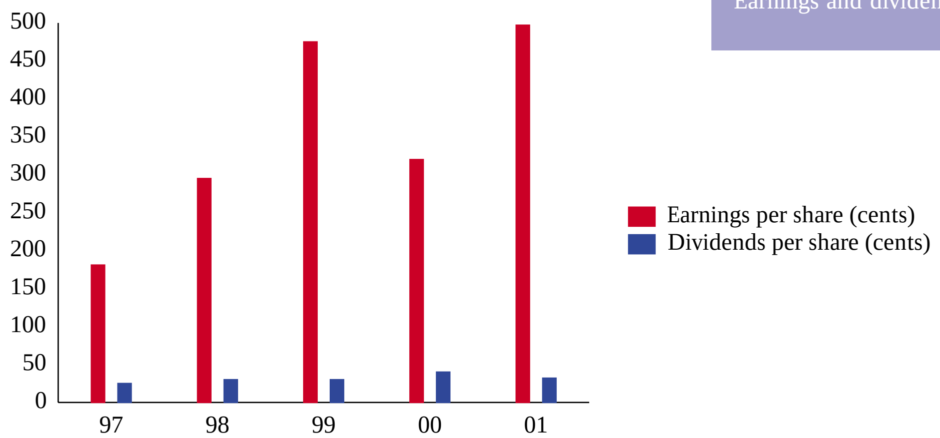
Five-year Summary

of the consolidated financial statements

Income Statements	1997* R 000	1998 R 000	1999 R 000	2000 R 000	2001 R 000
Turnover	984 217	752 376	820 213	963 614	1 146 082
Net profit before taxation and State's share of profits	85 713	132 127	196 130	143 315	203 860
Taxation and State's share of profits	35 125	49 596	63 075	52 248	67 265
Net profit after taxation and State's share of profits	50 588	82 531	133 055	91 067	136 595
Loss/(profit) attributable to minority interests	–	–	–	(1 476)	2 447
Net profit before dividends	50 588	82 531	133 055	89 591	139 042
Dividends	7 000	8 400	8 400	11 200	8 960
Accumulated profit	43 588	74 131	124 655	78 391	130 082
Number of ordinary shares in issue ('000)	28 000	28 000	28 000	28 000	28 000
Earnings per share (cents)	181	295	475	320	497
Headline earnings per share (cents)	181	301	471	317	484
Dividends per share (cents)	25	30	30	40	32

*The year prior to 1998 has been restated to reflect the proportionate consolidation of the group's joint venture entity which was previously equity accounted. However, the consolidation adjustments required to reflect this change have not been reflected as the computation of the amounts cannot be performed with an acceptable degree of accuracy and are not considered to be material.

Earnings and dividends per share (cents)



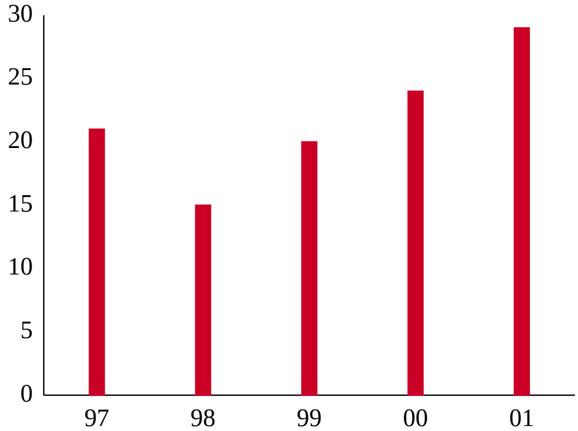
Five-year Summary

of the consolidated financial statements

Balance Sheets	1997* R 000	1998 R 000	1999 R 000	2000 R 000	2001 R 000
ASSETS					
Non-current assets					
Property, plant and equipment	197 930	251 273	377 805	562 739	828 766
Intangible assets	–	–	–	6 574	7 294
Enviromental rehabilitation trust fund	–	–	18 785	16 363	11 021
Other investments	296 381	43 473	50 834	70 658	105 494
	494 311	294 746	447 424	656 334	952 575
Current assets					
Other current assets	276 496	274 867	330 972	488 090	535 668
Cash resources	63 757	82 664	101 865	84 017	78 023
TOTAL ASSETS	834 564	652 277	880 261	1 228 441	1 566 266
EQUITY AND LIABILITIES					
Share capital and reserves					
Ordinary shareholders' interest	596 973	410 050	549 831	654 421	810 781
Outside shareholders' interest	–	–	–	11 712	10 386
Shareholders' equity	596 973	410 050	549 831	666 133	821 167
Non-current liabilities					
Deferred taxation	30 429	42 292	59 620	84 635	115 452
Long-term liabilities	8 738	12 716	26 874	32 572	29 579
	636 140	465 058	636 325	783 340	966 198
Current liabilities					
Non-interest bearing	125 674	102 498	105 074	135 875	121 985
Interest bearing	72 750	84 721	138 862	309 226	478 083
TOTAL EQUITY AND LIABILITIES	834 564	652 277	880 261	1 228 441	1 566 266
Net asset value per share (rand)	21	15	20	24	29

*The year prior to 1998 has been restated to reflect the proportionate consolidation of the group's joint venture entity which was previously equity accounted. However, the consolidation adjustments required to reflect this change have not been reflected as the computation of the amounts cannot be performed with an acceptable degree of accuracy and are not considered to be material.

Net asset value per share (rands)



Approval of Annual Financial Statements

The annual financial statements were approved by the board of directors on 27 August 2001 and signed on its behalf by:

Desmond Sacco
Chairman

R J Carpenter
Deputy Chairman

Certificate by Company Secretary

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

African Mining and Trust Company Limited
Secretaries

per: C D Stemmett
27 August 2001

Report of Independent Auditors

To the members

Assore Limited

We have audited the annual financial statements and group annual financial statements of Assore Limited and its subsidiary companies set out on pages 11 to 50 for the year ended 30 June 2001. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion these annual financial statements fairly present, in all material respects, the financial position of the company and the group at 30 June 2001 and the results of their operations and cash flow information for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Ernst & Young
Chartered Accountants (SA)
Registered Accountants and Auditors

Johannesburg
27 August 2001

Directors' Report

for the year ended 30 June 2001

Nature of business. Assore Limited, which was incorporated in 1950, is a mining holding company principally engaged in ventures involving base minerals and metals. The company's shares are listed on the JSE Securities Exchange South Africa (JSE) under "Assore" in the Mining Holding and Houses sector and the ultimate holding company is Oresteel Investments (Proprietary) Limited.

The group is currently involved in the mining of manganese, iron and chrome ores together with other industrial minerals and the manufacture of manganese and chrome alloys. The group is also responsible for marketing all products produced by its joint venture entities and subsidiary companies (refer review of operations below), the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. Details of the group's activities are set out, by activity, in the 'Review of Operations' commencing on page 15.

Change in accounting policies:

With effect from 1 July 2000 the group made the following changes to its accounting policies in order to comply with International Accounting Standards.

- In accordance with IAS10 (Events after balance sheet date), dividends paid and any secondary tax related thereto are only recorded in the financial statements if the dividend was declared prior to the accounting date. Previously dividends declared subsequent to the year end date were accrued if they related to the results being reported. The change had no affect on earnings for the year and the cumulative effect has been disclosed in the Statement of Changes in Shareholders' Equity.

- In accordance with the requirements of IAS39, all financial instruments have been marked to market at year end and the difference between book value and market value has been reflected in the income statement. Previously the difference between the book value and market value of foreign exchange contracts was only disclosed as a contingency in the notes to the financial statements. As a result of the change, earnings for the current year have been reduced by R3 074 288 but as the effect in the previous year was not material no change was required to brought forward retained income.

Financial results. The financial results of the group for the year ended 30 June 2001 are summarised below:

	2001 R000	2000 R000
Turnover	1 146 082	963 614
Profit after taxation and state's share of profits	136 595	91 067
Outside shareholder's interest of loss/(profit)	2 447	(1 476)
	139 042	89 591
Dividends	8 960	11 200
Retained profit for the year	130 082	78 391

Control over financial reporting. The directors of the company are responsible for the preparation and fair presentation of the annual financial statements and related financial information included in this report. The external auditors, whose report appears on page 10, are responsible for independently reviewing and reporting on these financial statements.

The financial statements included in this report are based on judgement and estimates which are intended to be both reasonable and prudent and have been prepared by management in accordance with generally accepted accounting practice based on appropriate accounting policies which, unless as otherwise indicated above, have been consistently applied. The annual financial statements have been prepared on a going concern basis and the directors have no reason to believe that any of the businesses in the group will not be a going concern in the year ahead. With regard to the valuation of assets, the directors are of the opinion that the book value of financial instruments approximates fair value, and that the carrying value of fixed assets is a reasonable estimate of their fair value.

In order to discharge their responsibilities with regard to the financial statements, the directors ensure, through their duly appointed Audit Committee, that management maintains adequate accounting records and systems of internal control which are developed and reviewed for effectiveness on an ongoing basis. In order to adequately safeguard the group's assets and prevent and detect material misstatement and loss, these systems are designed to provide reasonable, although not absolute, assurance as to the reliability of financial information. 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 with appropriate segregation of authorities and duties.

Corporate governance. The directors and management of the group subscribe, in principle, to the Code of Corporate Practice and Conduct adopted by the JSE and the group complies with its recommendations, in so far as they are applicable, in the following ways:

Board of Directors – the Board comprises both executive and non-executive directors, details of which are set out on page 2 of this report. The Board meets at least four times per annum and none of the directors have service contracts with any of the companies in the group.

Audit Committee – the majority of the members of the Audit Committee, including the Chairman, are non-executive directors. The Committee meets at least three times per annum and conducts its activities in accordance with a Charter which is reviewed and updated on an annual basis. The prime objective of the Audit Committee is to consider the appropriateness of the group's accounting policies, and the adequacy of financial reporting and systems of internal control. It also provides a forum through which the external and internal auditors can report to the Board on the results of their respective audits.

Internal audit – an internal audit function has been established making use, on an outsourced basis, of the specialised services offered by the group's external auditors. A programme of internal risk reviews has been put in place and reports are submitted to the Audit Committee on an ongoing basis for its consideration and implementation. Representatives of the internal audit team are invited to attend Audit Committee meetings and, where areas of risk are identified in internal controls, separate independent investigations take place on an ad hoc basis in addition to the programmed reviews referred to above.

Employee participation – for many years, collective bargaining arrangements have been negotiated with workforce representatives but, where a workforce has elected not to be represented by a recognised union, it is encouraged to elect a works committee to achieve the same objectives. The forums so created are utilised in wage negotiations and to communicate information regarding operating performance and facilitate workforce participation in health, safety and educational issues. At the year end, the company employed 216 (2000: 301) staff members excluding employees of the joint venture and foreign subsidiary.

Employment equity – the group is committed to promoting respect for the dignity of the individual, the maintenance of fair employment procedures and the development through education of competent and committed employees. The group, in conjunction with the Assore Chairman's Fund, provides financial assistance for study purposes to all members of staff, including their dependants, based on defined performance criteria. A substantial proportion of the donations made annually by the Fund are made to a wide range of educational institutions ranging from self help programmes and adult literacy training to financial assistance for study at a tertiary level. The group also supports and provides sponsorship for a variety of sporting events, in particular, providing financial assistance and incentives for the participation of young sportsmen and women from disadvantaged backgrounds who display significant sporting talent.

Risk management – Risk is managed at group level through the appointment of a risk management committee. The members of the committee comprise representatives from senior management and the group risk supervisor. The committee reports to the Board of Directors through the Audit Committee. An independent formalised process of identifying, recording and reviewing the management of major risk exposures has been implemented assisted by specialised external consultants. Independent risk engineering consultants continue to grade each operation against international risk standards for fire, security, engineering, commercial crime, contingency planning and mining to monitor whether its practices meet the set criteria and are being maintained. The committee is also responsible to ensure that appropriate financial and insurance mechanisms comprehensively protect the group against catastrophe risk.

The primary and secondary crusher installation at the Beeshoek South iron ore mine from which the majority of the iron ore is produced

Directors' Report

for the year ended 30 June 2001

Group environmental management policy. The Assore group views its responsibility in terms of protecting the environment in a serious light and environmental management is regarded as a key performance area for all operations. Environmental management systems are based on internationally accepted standards and are implemented in conjunction with recognised consultants based on the following commitments:

– adherence to at least the minimum legal standards and requirements

– ongoing assessment of environmental conditions surrounding mining activities with the view to reducing to a minimum pollution, waste and other environmental impacts

– developing awareness of environmental issues amongst staff by ongoing training programmes

– ascertaining the environmental needs of, and developing positive relationships with, stakeholders including shareholders, employees, neighbours and regulatory authorities.

It is a requirement that all mining companies in the group undertake environmental impact assessments and restoration work with regard to areas that have been disturbed by mining and prospecting activities. All companies in the group, which are currently involved with prospecting and mining activities, have submitted environmental management programmes to the Regional Director of the Department of Mineral and Energy Affairs for approval and all the costs associated with the programmes are regarded as an integral part of the prospecting and mining operations concerned. These costs are either charged to the cost of mining when incurred or, where it is not possible to complete restoration work as an integral part of the mining operation, annual contributions are made to the Environmental Funds which have been established for this purpose. Annual contributions to these funds are calculated, based on the remaining life of the mining operations and the final estimated cost concerned which includes decommissioning costs and the cost of restoration as required by the Department of Mineral and Energy Affairs. Notwithstanding the transfers made to the Trust, the full liability for rehabilitation is raised as a long-term provision and the investments of the Trust are recognised as an asset in the group's balance sheet.

Mineral rights

The group is taking due cognisance of the draft Mineral Development Bill for South Africa. This demands, and has been receiving, detailed and careful consideration. The company endorses the bill's key objective that the State is, and must be, the custodian of the nation's mineral resources. These resources are a national asset, and in this sense belong to all the people of South Africa. The criteria against which the company will seek to understand and evaluate the transitional arrangements are as follows:

- for the South African people to realise the optimal benefits which could flow from these mineral resources;
- it cannot infringe on the property rights of private mineral rights holders. The system of State regulation must ensure security of tenure;
- it must ensure the stability and continuity of current prospecting and mining operations.

The group is confident that as a result of direct and constructive debate with government officials, particularly the Department of Minerals and Energy, and other key stakeholders, such as the industry's labour movement, a period of growth and prosperity for the South African mining industry will ensue.

Code of ethics

The group is committed to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders. All directors and employees are required to maintain the highest ethical standards to ensure that the company's business practices are conducted in a responsible manner and to act in good faith and in the interests of the group. The company operates a closed period prior to the publication of its interim and final results. During this period directors, officers and designated persons who may have access to price sensitive information are precluded from dealing in the shares, securities or financial instruments of the company. The closed period extends from the 15th of the month following the end of a reporting period or the financial year until the day of publication of the results. Where appropriate, dealing is also restricted during sensitive periods where major transactions are being negotiated and a public announcement is imminent.

Directors' Report

for the year ended 30 June 2001

Review of operations. The activities of the group were conducted through its joint venture entities and subsidiary companies. Details of the investment in the joint venture entity, and subsidiary companies are set out on pages 34 and 48 of this report respectively.

The percentage net income after taxation attributable to the various classes of business of the group was as follows:

	2001 %	2000 %
Mining and beneficiation	82,6	76,8
Shipping and technical administration	10,5	3,8
Investments	6,9	19,4
	100,0	100,0

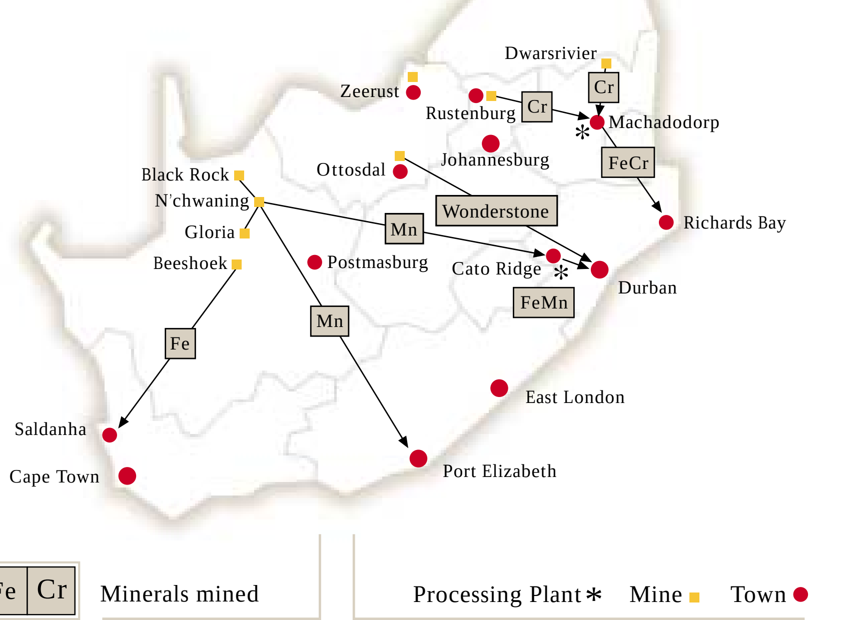
The attributable interest of the company in the aggregate net income and losses after taxation of group companies was as follows:

	R 000	R 000
Subsidiary companies		
– Income	31 238	27 245
– Losses	6 665	19
Jointly controlled entity		
– Income	100 766	45 060

Manganese and iron ore. Manganese and iron ores are mined by Assmang in the Black Rock and Postmasburg areas respectively of the Northern Cape province. Sales volumes of manganese ore for the year, excluding sales to wholly owned subsidiary, Feralloys (refer manganese alloys below), increased marginally to 979 000 (2000: 926 000) tons and sales volumes of iron ore increased slightly to 4,31 million (2000: 4,17 000) tons. Prices for both manganese and iron ores were marginally higher than the previous year and, compounded by a weaker than anticipated Rand/US dollar exchange rate, resulted in operating profit increasing to R311,9 million (2000: R192,3 million). After taxation, together with State's share of profits of R111,8 million (2000: R75,4 million), net profit after tax on sale of manganese and iron ores was R188,9 million (2000: R115,5 million). Capital expenditure during the year under review totalled R320,2 million (2000: R262 million) and was incurred mainly on the completion of the Dwarsrivier chrome ore mine, the new shaft complex at the N'chwaning manganese mine and a new jigging plant at the Beeshoek iron ore operation.

The R190 million Dwarsrivier opencast chrome mine came into operation in October 2000 and comprises an open-pit operation as well as a chromite beneficiation plant. An underground section is also planned to commence provisionally towards the latter part of 2001 and all ore mined will be supplied to the Feralloys chrome smelter at Machadodorp.

Location of operations



Directors' Report

for the year ended 30 June 2001

The new R517 million shaft complex at N'chwaning 3 is proceeding according to plan. This shaft, which will have a run of mine capacity of 2 million tons a year, is expected to achieve significant cost reductions as a result of the high level of mechanisation being introduced. The shaft complex is scheduled for commissioning in late 2003 and should extend the life of the N'chwaning mine for at least another 20 years.

The jig plant (R90 million) was commissioned during the year, at Beeshoek, and is designed to improve iron ore recovery. As a result, iron ore production is expected to increase to 5,5 million tons during 2002, which is sooner than originally anticipated.

It was announced on 31 May 2001 that, subject to certain conditions precedent, the company had reached agreement in terms of which it has disposed of the Farm Dwars Rivier platinum group mineral rights contained in the UG2 and Merensky reefs, and the associated freehold, to Two Rivers Platinum (Proprietary) Limited, a joint venture between Anglovaal Mining Limited and Impala Platinum Holdings Limited. The sale is expected to become effective during the current financial year.

Alloy production. Feralloys produces manganese alloys at its works at Cato Ridge in the KwaZulu-Natal Province, and chrome alloys at its works at Machadodorp, in Mpumalanga Province. Cato Ridge Alloys (Proprietary) Limited ("Cato Ridge Alloys"), a joint venture between Feralloys, Mizushima Ferroalloys Company Limited ("Mizushima") and Sumitomo Corporation ("Sumitomo"), produces refined ferromanganese at the ferromanganese division and production is mostly exported. Feed for the ferromanganese plant is sourced mainly from Assmang and the ferrochrome plant from the group's Dwarsrivier chrome mine (page 15).

Sales volumes of high carbon ferromanganese reduced marginally to 193 000 (2000: 206 000) tons while sales of ferrochrome increased significantly mainly in the second half to 125 000 (2000: 114 000) tons. Prices for ferromanganese reduced slightly across the year while prices for ferrochrome reduced significantly in line with the reduction in stainless steel production worldwide in 2001. Results were, however, affected by the weaker than anticipated Rand/US dollar exchange rate in the second half of the year and operating profit increased from R58,8 million to R103,9 million for the year.

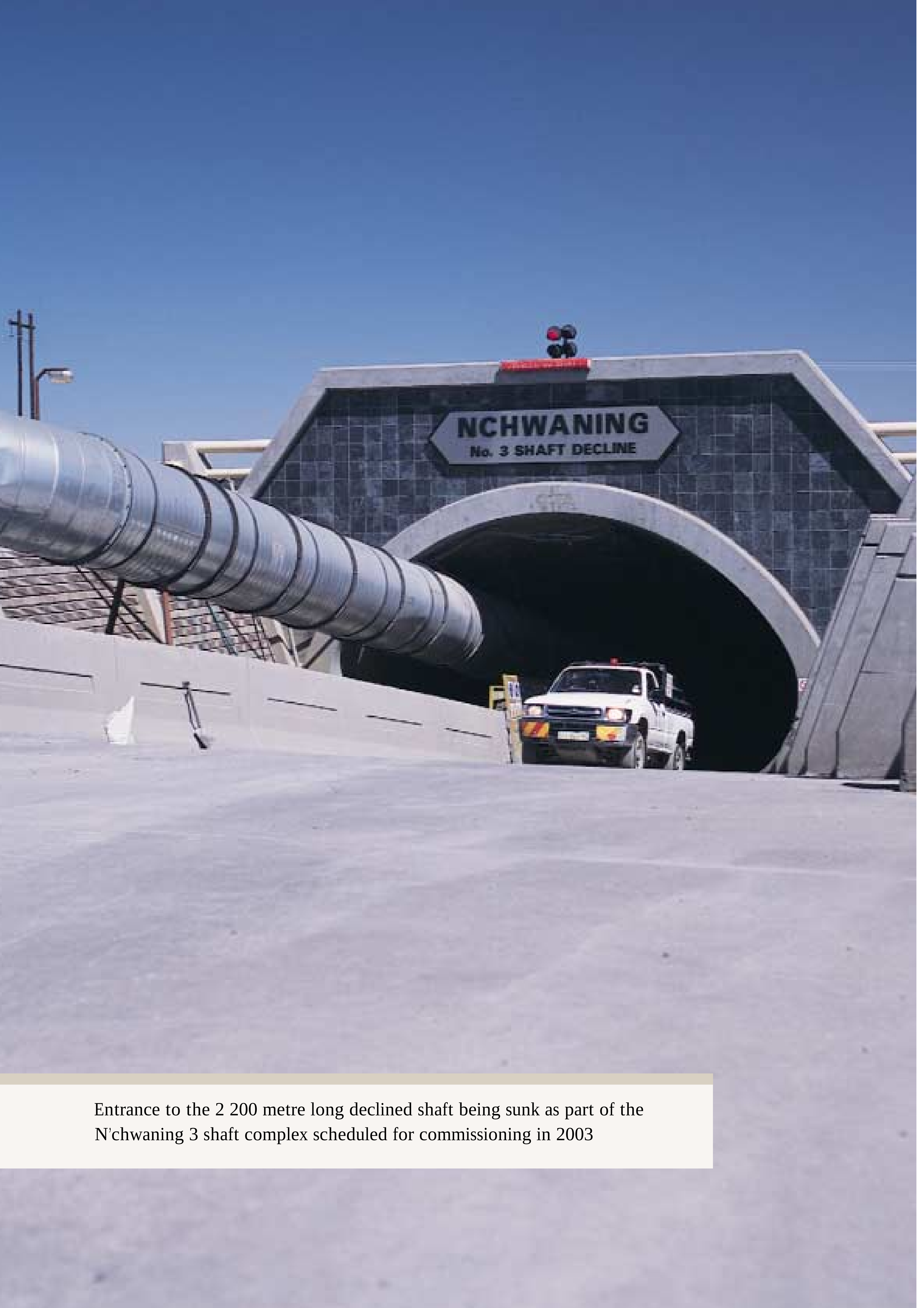
Production from the joint venture refined plant increased during the year but prices were generally lower than expected due to continued over supply in the world's market. However, both demand and prices did begin to show some improvement towards the end of the year.

Capital expenditure at the two alloy plants amounted to R304,4 million (2000: R142 million) for the year and was spent mainly on furnace upgrades and replacement items. Expenditure also commenced on the R375 million expansion at the chrome alloy division, consisting of a 54 MVA furnace with pre-heater and a 350 000 ton per annum pelletising plant which will be commissioned shortly. This additional capacity, combined with the furnace upgrades, should double capacity to 300 000 tons by the end of 2001. The pelletising plant will significantly improve furnace productivity and all ore requirements will be sourced from the Dwarsrivier mine which came into production in October last year (see above).

Wonderstone. Since 1937, the group has mined a type of pyrophyllite which, for trade purposes, is referred to as Wonderstone. The deposit, which is located at Ottosdal, approximately 300 kilometres west of Johannesburg, is of volcanic origin and displays unique corrosion, heat and abrasive resistant properties. The bulk of the material mined is exported to the United States of America, the East and the Far East where it is utilised in various hi-tech industrial applications including the manufacture of synthetic diamonds and the welding and electronics industries.

During the year, mining continued on a profitable basis and sales of 2 453 tons (2000: 2 098 tons) of unbeneficiated material were made at prices slightly higher than in the previous year. In response to market demand, the company also supplies certain customers with a variety of finished or partly finished components for use directly in their various manufacturing processes. Wonderstone is also produced in powder form to customer specified fraction and blend. In this way, the quantity of waste material exported is reduced considerably and customers benefit from the higher degree of technical support which the company is able to offer with regard to the material's performance characteristics.

Turnover reduced marginally to R29,2 million (2000: R32,7 million), due mainly to lower demand for powder products. The bulk of component products are utilised in the production of synthetic diamonds which are used mainly in the oil drilling industry and as a result demand is influenced



Entrance to the 2 200 metre long declined shaft being sunk as part of the N'chwaning 3 shaft complex scheduled for commissioning in 2003

Directors' Report

for the year ended 30 June 2001

strongly by movements in the crude oil price. As a result of the lower sales volumes operating profit decreased to R19,5 million (2000: R22,8 million) for the year under review.

Capital expenditure for the year amounted to R3,3 million, (2000: R25,2 million) most of which was spent on replacement items.

Synthetic diamond production. Towards the end of the year the group successfully commissioned the synthetic diamond plant which was completed in the previous financial year. The plant was designed to accommodate four presses of varying capacity but currently only one press has been installed and by year end was operating on a shift basis manufacturing product which is competitive in the market place. As the press was only operational for a portion of the year the division is not yet profitable but is forecast to operate on at least a cash positive basis in the forthcoming year.

Chrome. The group's chrome mine near Rustenburg (Rustenburg Minerals Development Company (Proprietary) Limited) mines chrome ore in opencast operations and production was supplied to both the group's ferrochrome operations at Machadodorp and the local market during the year (see Ferromanganese and ferrochrome above).

Approximately 169 582 (2000: 198 096) tons of lumpy and concentrate were produced during the year, 20 395 of which was supplied to the group's ferrochrome operations run by Feralloys at Machadodorp. Due to the low prices for ferrochrome which persisted throughout the year, operations resulted in a small loss of R1,6 million (2000: R1,7 million profit). The mine is run with the use of contractors and capex was therefore negligible.

The group also owns a chrome mine in the Northern Province near Zeerust (Zeerust Chrome Mines Limited) which, due to the weak ferrochrome price, was not operational and was maintained on a care and maintenance basis during the year.

Shipping and export. Wholly owned subsidiary Ore & Metal Company Limited is responsible for the marketing and shipping of all the group's products, including those

Export Destinations

produced by Assmang and Feralloys. Strong relationships have been established with customers in Europe, North America, South America, India and the Far East and products with a market value of approximately R1,9 billion (2000: R1,6 billion) were marketed and distributed to these regions during the year. The company is an established supplier to the steel and allied industries worldwide and has operated effectively in these markets for over 60 years. Commission income and contribution to group net income after taxation increased marginally in line with the increased sales of the group's commodities compared to the previous year.

Technical services and township property. African Mining and Trust Company Limited is technical adviser to Assmang and other group companies for which it receives a fee. As fee income is based on the level of activities of its joint venture and fellow subsidiary companies, both turnover and net income after taxation increased on the previous year.

The company also owns approximately 92 hectares of industrial land in the Borough of Pinetown near Durban. The property, known as Pinetown Extension 66, has been zoned for light and heavy industry and is being developed with essential services for sale on a phased basis in accordance with market demand. Due to the weak conditions in the industrial property market in and around Pinetown, no sales of stands took place during the year, and the book value of R7,3 million of the property was written down by R3,5 million to recognise estimated net realisable value.

Jointly controlled entity. The group owns 45,66 % (2000: 45,51%) of the ordinary share capital of Assmang Limited (Assmang), which is listed on the JSE under the "Metals and Minerals" sector. The results of Assmang are accounted for by Assore using the proportionate consolidation method and set out below are extracts from the audited financial statements of Assmang and its subsidiary companies for the year ended 30 June 2001. The calculation of attributable earnings for consolidation purposes was based on the earnings of Assmang for the year ended 30 June 2001 and dividends declared up to 30 June 2001.

Consolidated income statement of Assmang

	2001 R 000	2000 R 000
Turnover	1 926 189	1 579 075
Profit before taxation and State's share of profit	349 879	215 777
Taxation and State's share of profit	118 943	89 180
Earnings	230 936	126 597
Dividends	26 612	26 612
Retained profit for the year	204 324	99 985
Earnings per share		
– attributable (rands)	65,08	35,68
– headline (rands)	64,92	35,48

Consolidated balance sheet of Assmang

	2001 R 000	2000 R 000
Assets		
Property, plant and equipment and non-current assets	1 630 456	1 091 870
Current assets	931 053	750 503
Total assets	2 561 509	1 842 373
Equity and liabilities		
Capital employed		
Shareholders' funds	1 188 614	984 290
Deferred taxation	260 837	192 261
	1 449 451	1 176 551
Non-current liabilities	29 560	27 102
Current liabilities		
– interest bearing	909 767	472 858
– non-interest bearing	172 731	165 862
Total equity and liabilities	2 561 509	1 842 373
Net asset value per share (rand)	409	332
Number of ordinary shares in issue (thousands)	3 548	3 548
Capital expenditure (Rm)	624	405
Capital commitments (Rm)	843	1 290

Directors' Report

for the year ended 30 June 2001

Dividends. With effect from 1 July the company changed its accounting policy for dividends in order to comply with International Accounting Standards (refer above). As a result only the following dividends which were declared during the accounting period have been disclosed in the financial statements:

- Final dividend No. 87 of 20 cents per share was declared on 18 September 2000 and paid to shareholders on 27 October 2000 (Note as a result of the change in accounting policy this dividend was disclosed in the previous year's directors' report but has been adjusted for as a prior year adjustment).
- Interim dividend No. 88 of 12 cents per share was declared on 26 February 2001 and paid to shareholders on 4 May 2001.

Subsequent to the year end final dividend No. 89 of 20 cents per share was declared on 11 September 2001 and will be paid to shareholders on 8 October 2001.

Directorate. Mr J S de Wet was appointed as a director with effect from 27 February 2001. The names of the directors in office at the date of this report and the name of the secretary with its business and postal address are set out on page 2 of this report.

In terms of the company's Articles of Association, Messrs R J Carpenter, C J Cory and J S de Wet retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

At the date of this report none of the directors held more than 1% of the share capital of the company. Directors did, however, hold a 44,31% (2000: 44,31%) beneficial interest in the company's holding company which holds 52,28% (2000: 52,28%) of the share capital of Assore.

STRATE (Share Transactions Totally Electronic)

The company's shares were dematerialised on 16 October 2000 and electronic trading commenced on 13 November 2000. Should shareholders wish to trade Assore shares on the JSE, certificates should be deposited with a Central Securities Depository Participant ("CSDP") or qualifying stockbroker as soon as possible. With effect from the latter date trading in the company's shares on the JSE will only be possible if they exist in electronic format in the STRATE environment. A circular in this regard was sent to members on 10 October 2000.

Analysis of shareholding. In accordance with the Listing Requirements of the JSE, the following analysis has been established, based on an examination of the company's share register at 30 June. The directors are not aware of any material changes to these percentages between the year end and the date of this report.

	2001 %	2000 %
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10 per cent of the share capital	93,3	93,3
– Directors of the company	0,7	0,7
	94,0	94,0
Public	6,0	6,0
	100,0	100,0
*As defined by Rule 4.26 of the JSE Listing Requirements		
Major shareholders holding more than 5% of the share capital		
Oresteel Investments (Proprietary) Limited	52,28	52,28
Old Mutual Nominees (Proprietary) Limited	23,00	23,00
Anglovaal Mining Limited	18,20	18,20
	93,48	93,48
Others – less than 5%	6,52	6,52
	100,00	100,00

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

Johannesburg
27 August 2001

The pelletising drum section of the 350 000 ton per annum pelletising and sinter plant being installed as part of the chrome expansion project which will double chrome alloy capacity to 300 000 tons per annum

Balance Sheets

at 30 June 2001

	Note	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
ASSETS					
Non-current assets					
Property, plant and equipment	2	828 766	562 739	–	–
Intangible assets	2	7 294	6 574	–	–
Environmental rehabilitation trust fund	3	11 021	16 363	–	–
Investment in group companies	4			62 954	59 412
Other investments	6	105 494	70 658	105 494	69 712
		952 575	656 334	168 448	129 124
Current assets					
Inventories	7	333 186	305 278	–	–
Trade and other receivables		202 482	182 812	352	3 931
Cash resources		78 023	84 017	1	16
		613 691	572 107	353	3 947
TOTAL ASSETS		1 566 266	1 228 441	168 801	133 071
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	8	700	700	700	700
Non-distributable reserves	9	52 252	26 069	49 121	23 429
Distributable reserve					
Retained income – restated		757 829	627 652	116 859	103 920
Shareholders' equity		810 781	654 421	166 680	128 049
Non-current liabilities					
Outside shareholders' interest		10 386	11 712		
Deferred taxation	10	115 452	84 635	–	–
Long-term provisions	11	28 286	30 901	–	–
Long-term borrowings	12	1 293	1 671	–	–
		966 198	783 340	166 680	128 049
Current liabilities					
Accounts payable	13	94 814	102 418	100	95
Provisions and accruals	14	13 733	16 772	–	–
Amounts due to group companies				1 984	4 886
Taxation		13 438	16 685	37	41
Overdrafts and short-term borrowings	15	478 083	309 226	–	–
		600 068	445 101	2 121	5 022
TOTAL EQUITY AND LIABILITIES		1 566 266	1 228 441	168 801	133 071

Income Statements

for the year ended 30 June 2001

	Note	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
Revenue	16	1 216 894	1 015 836	14 633	18 308
Turnover		1 146 082	963 614	–	–
Cost of sales		846 503	763 837	–	–
Gross profit		299 579	199 777	–	–
Other operating income		50 677	37 449	40	40
Other operating expenses		(133 405)	(90 712)	(831)	(1 008)
Profit from operations		216 851	146 514	(791)	(968)
Income from investments		22 771	16 583	22 734	18 308
Finance costs		(35 762)	(19 782)	–	–
Profit before taxation and State's share of profits	17	203 860	143 315	21 943	17 340
Taxation and State's share of profits	18	67 265	52 248	44	35
Profit after taxation and State's share of profits		136 595	91 067	21 899	17 305
Outside shareholders' share of loss/(profit)		2 447	(1 476)		
Net profit		139 042	89 591	21 899	17 305
Earnings per share (cents)	20	497	320		
Headline earnings per share (cents)	20	484	317		
Dividends per share (cents)	19	32	40	32	40

Cash Flow Statements

for the year ended 30 June 2001

		Group		Company	
		2001	2000	2001	2000
	Note	R 000	R 000	R 000	R 000
Cash retained from operating activities		142 667	71 040	6 171	10 461
Cash generated /(utilised) by operations	21.1	275 357	192 759	(927)	(995)
Investment income	21.2	3 475	5 334	15 627	17 167
(Utilised to increase)/generated by decrease in working capital	21.3	(60 201)	(78 589)	398	5 441
Cash generated by operating activities		218 631	119 504	15 098	21 613
Interest income		8 771	10 150	81	86
Finance costs		(35 762)	(19 782)	–	–
Taxation paid	21.4	(40 013)	(27 632)	(48)	(38)
Cash available from operating activities		151 627	82 240	15 131	21 661
Dividends paid	21.5	(8 960)	(11 200)	(8 960)	(11 200)
Cash utilised in investing activities		(316 429)	(225 761)	(6 186)	(10 691)
Acquisition of listed investments – joint venture shares	21.6	(2 943)	(1 232)	(2 917)	(1 234)
– other		(19 149)	(13 488)	(19 150)	(13 488)
Additions to property, plant and equipment		(319 032)	(222 225)	–	–
Net additions to intangible assets		(613)	–	–	–
Net cash on acquisition of foreign subsidiary		–	3 212	–	–
Acquisition of subsidiary company	21.7	(724)	–	(724)	–
Net recovery from environmental rehabilitation trust fund		5 351	2 425	–	–
Proceeds on disposal of – property, plant and equipment		3 630	1 516	–	–
– group company		500	–	500	–
– listed investments		16 551	4 031	16 105	4 031
Cash generated in financing activities		167 768	136 873	–	–
Increase in short-term borrowings		168 151	137 573	–	–
Long-term borrowings repaid		(383)	(700)	–	–
Decrease in cash resources for the year		(5 994)	(17 848)	(15)	(230)
Cash resources at beginning of year		84 017	101 865	16	246
Cash resources at end of year		78 023	84 017	1	16

Statements of Changes in Equity

for the year ended 30 June 2001

	Group		Company	
	2001	2000	2001	2000
	R 000	R 000	R 000	R 000
Share capital				
Balance at beginning of year	700	700	700	700
Balance at end of year	700	700	700	700
Non-distributable reserves				
Balance at beginning of year	26 069	15 088	23 429	14 434
Net increase in the market value of listed investments	24 747	9 287	25 692	8 995
Foreign exchange gain arising /(realised) (as below)	(95)	95		
Foreign currency translation reserve	1 531	1 599		
Balance at end of year	52 252	26 069	49 121	23 429
Distributable reserve – retained earnings				
Balance at beginning of year	627 652	538 360	103 920	103 116
Effect of change in accounting policy for dividends paid	–	10 901	–	(5 301)
Restated opening balance	627 652	549 261	103 920	97 815
Earnings per income statement	139 042	89 591	21 899	17 305
Foreign exchange gain transferred from non-distributable reserve	95	–	–	–
Ordinary dividend				
No's 87 and 88 aggregating 32 cents per share (2000: 40 cents per share)	(8 960)	(11 200)	(8 960)	(11 200)
	757 829	627 652	116 859	103 920
Per balance sheet	810 781	654 421	166 680	128 049

Notes to the Financial Statements

for the year ended 30 June 2001

1. Accounting policies

The financial statements are prepared on the historical cost basis with the exception of certain assets which are valued at market value as explained in individual policy notes. Set out below are significant features of the company's and the group's accounting policies which are consistent with those applied in the previous year with the exception of the newly adopted accounting policies referred to below. These policies comply with the accounting standards issued by the International Accounting Standards Committee and the South African Institute of Chartered Accountants and with the disclosure requirements of the South African Companies Act.

With effect from 1 July 2000 the group made the following changes to its accounting policies in order to comply with International Accounting Standards.

- In accordance with IAS10 (Events after balance sheet date), dividends paid and any secondary tax related thereto are only recorded in the financial statements if the dividend was declared prior to the accounting date. Previously dividends declared subsequent to the year end date were accrued if they related to the results being reported. The change had no effect on earnings for the year and the cumulative effect has been disclosed in the Statements of Changes in Shareholders' Equity.
- In accordance with the requirements of IAS39, all financial instruments have been marked to market at year end and the difference between book value and market value has been reflected in the income statement. Previously the difference between the book value and market value of foreign exchange contracts was only disclosed as a contingency in the notes to the financial statements. As a result of the change, earnings for the current year have been reduced by R3 074 288 but as the effect in the previous year was not material no change was required to brought forward retained income.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the company and its joint venture and subsidiary companies. The results of joint venture entities and subsidiary companies are included from the effective dates of acquisition and up to the effective dates of disposal.

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.

Subsidiaries are defined as those companies in which the group, either directly or indirectly, has more than half of the voting rights, has the right to appoint more than half the board of directors or otherwise has the power to control the financial and operating activities of the entity.

At the date of acquisition of a subsidiary, the cost of the investment is allocated to the fair value of individual identifiable assets and liabilities. The excess of the purchase price over net asset value is capitalised as goodwill. Goodwill arising on the consolidation of the foreign entity is calculated at the exchange rate at the date of acquisition. The carrying value of subsidiaries is compared with their attributable net asset value or market value and provision is made for any impairment in value.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use are capitalised. Discounts or premiums relating to borrowings are deferred and amortised over the term of the respective borrowing. Borrowing costs are expensed from the time that mining production becomes commercially viable.

Exploration expenditure

Exploration expenditure comprises expenditure incurred and advances made in respect of exploratory ventures, research programmes and other related projects. The costs of exploration programmes are expensed in the year in which they are incurred, except for expenditure on specific properties which have indicated the presence of a mineral resource with the potential of being developed into a mine, in which case the expenditure is capitalised and amortised in the same way as mining assets (refer below). Where it is subsequently found that no potential exists to develop a mine, the capitalised costs are written off in full.

Intangible assets

Intangible assets are reflected at cost and are amortised on a straight-line basis over the anticipated useful lives of the assets up to a maximum of 20 years.

Research and development

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

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

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities at date of acquisition. Goodwill is capitalised and is amortised over its expected useful life.

Property, plant and equipment and depreciation

Property, plant and equipment other than land, township and industrial properties are stated at cost less accumulated depreciation. Impairments to the value of property, plant and equipment, which affect long-term recoverability, are recognised at the time the realisable value of an asset is below its book value. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back.

Mineral and prospecting rights

Mineral rights which are being depleted are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. The maximum rate of depletion of any mineral right is 25 years.

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

Land, buildings and mine properties

Land and investment properties, township property and industrial property other than mine properties, are not depreciated. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between two and ten per cent.

Mine properties, including houses, schools and administration blocks are reflected at cost less accumulated depreciation calculated on the straight-line basis over their expected useful lives, to estimated residual values.

Mine properties are depreciated at lesser of life of mine and expected useful life of the asset.

Plant and machinery

Mining plant and machinery is amortised over the lesser of its estimated useful life which is estimated at five years, and the units-of-production method based on estimated proven and probable ore reserves. Where ore reserves are not determinable, due to their scattered nature, the straight-line method of depreciation is applied.

Industrial plant and machinery is depreciated over its useful life up to a maximum of 25 years.

Prospecting, eAxploration, development

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine, or its current production, are capitalised and amortised over a maximum period of 25 years using the straight-line method of depreciation. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning assets

Mine development and decommissioning assets are amortised using the lesser of its estimated useful life or the units-of-production method based on proven and probable ore reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. Where the reserves are not determinable due to their scattered nature, the straight-line method of amortisation is applied based on the estimated life of the mine. The maximum period of amortisation using these methods is 25 years.

Other

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

Vehicles, furniture and equipment are depreciated at rates varying between 10% and 33%.

Leased assets

Leases of fixed and tangible assets where the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liability to the lessor is raised. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against operating profit, and the capital repayment which reduces the liability to the lessor. These assets are depreciated on the same basis as the fixed assets owned by the group.

Provisions

Provisions are recognised when both of the following conditions are met:

- 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;
- a reasonable estimate of the obligation can be made.

A present obligation is considered to exist when the group has no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision is raised is charged to the provision.

Investments

Listed investments other than joint venture companies (refer basis of consolidation) are revalued to market value. Unrealised surpluses or deficits arising on such revaluations are adjusted directly against non-distributable reserves. Unlisted investments, loans and fixed interest bearing securities are valued at cost or directors' valuation, whichever is the lower.

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. Cost is determined using the following bases:

- Raw materials are valued at weighted average cost.
- Consumables and maintenance spares are valued at average cost.
- Finished products are valued at weighted average cost including an appropriate portion of direct overhead costs.

Defered Taxes

Deferred tax liabilities and assets are recognised on temporary differences between the book value and tax base of balance sheet items, including items with a tax base but no book value, using the balance sheet liability method.

Deferred tax is not recognised when the transaction involves the initial recognition of an asset or liability which is not subject to a business combination and at the time of the transaction affects neither accounting nor taxable profit. Deferred tax assets are not recognised on negative goodwill and no deferred tax liability is recognised on goodwill for which amortisation is not deductible for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax is calculated at the applicable rate for non-mining taxes. In the case of mining taxes, deferred tax is calculated at the mining cost formula rate, which is expected to apply to the period when the asset is realised or the liability is settled.

Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with a transaction will flow to the group and the amount of revenue concerned can be measured reliably. Revenue is recognised on the following basis:

Technical fees and commissions

Revenue from technical fees and commissions is recognised when the significant risks and rewards of ownership of the sale have passed to the buyer.

Ores and alloys

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

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset.

Dividends

Dividends proposed and related taxation thereon at reporting intervals are charged to income only when the dividend is declared.

Turnover

Turnover represents the F.O.B. or C.I.F. sales value of ores and alloys exported and the F.O.R. sales value of ores and alloys sold locally.

Foreign currencies

Foreign currency balances

Transactions in foreign currencies are converted to South African rand at the rate of exchange ruling at the date of these transactions. Balances outstanding on foreign transactions at the end of the financial year are translated to rand at the approximate rates of exchange at the end of the financial year. Unrealised gains and losses arising on these translations at year end are dealt with through the income statement.

Foreign entities

All assets and liabilities of companies which for accounting purposes are classified as foreign entities, are translated at the closing rate and income statement items at a weighted average rate for the period. Exchange differences are taken directly to a foreign currency translation reserve which is included with non-distributable reserves.

Financial instruments

The group's financial instruments consist primarily of cash on hand, balances with banks, deposits on call, money-market instruments, derivative instruments, trade and other receivables, trade payables, borrowings and investments other than those in subsidiary, associate or joint venture companies.

Financial investments

The book value of cash deposits with banks and money-market instruments approximates their fair value. Negotiable instruments are recorded initially at cost and marked to market at reporting intervals. Any gain or loss arising from marked to market or a change from book value to fair value is included in the determination of other net income.

Accounts receivable

Accounts receivable is stated at the gross invoice value adjusted for payments received and, where appropriate, provision for doubtful debts to reflect the fair value of the expected economic benefit.

Accounts payable

Accounts payable is stated at the initial recognised obligation less payments made and any adjustments made to reflect the fair value of the expected economic outflow of resources.

Derivative instruments

In the ordinary course of its operations, the group is exposed to fluctuations in metal prices, volatility of exchange rates and changes in interest rates. The group engages in a number of activities to manage these risks. These activities include hedging a portion of these exposures through the use of derivative financial instruments. Forward sales contracts are utilised to manage currency exposures. The group does not speculate, acquire, hold or issue derivative instruments for trading purposes. Derivatives are initially measured at cost, and associated transaction costs are charged to the income statement when incurred. Subsequently these instruments are measured as set out below. All forward and option contracts are marked to market at financial reporting intervals and any changes in their fair values are included in other net income. Gains and losses arising on contracts not spanning a reporting interval are recognised and included in the determination of other net income at the time that the contract expires.

Forward exchange contracts

Forward exchange contracts are valued at the balance sheet date using the forward rate available at the balance sheet date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the income statement. A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the income statement.

Employee benefits

Retirement benefit plans operated by the group are of both the defined benefit and defined contribution types. Contributions to defined benefit plans are determined actuarially based on best estimates of service costs and are charged to income as incurred. Past service costs, experience adjustments and the effects of amendments to defined benefit plans are charged to income over the remaining working lives of current employees and are charged immediately, in the case of retired employees. Current service costs in respect of defined contribution plans are expensed as incurred.

The group recognises its estimated liability to provide for its proportion of post retirement medical aid benefits for current and retired employees in accordance with the terms and conditions of their employment. The costs of providing for the post retirement medical aid benefits of current employees are determined actuarially on an annual basis and charged to the income statement over the estimated working lives of the eligible employees in accordance with their conditions of employment. Medical aid contributions made on behalf of retirees are charged against the provision so made.

Environmental rehabilitation expenditure

The estimated cost of final rehabilitation, comprising liability for decommissioning and restoration, is based on current legal requirements and existing technology and is reassessed annually.

Decommissioning costs

The present value of estimated future decommissioning obligations at the end of the operating life of a mine is included in long-term provisions. The related decommissioning asset is recognised in fixed assets when the decommissioning provision gives access to future economic benefits. The unwinding of the obligation is included in the income statement. The estimated cost of decommissioning obligations is reviewed annually and adjusted for legal, technological and environmental circumstances that affect the present value of the obligation for decommissioning. Decommissioning costs capitalised are amortised using the units-of-production method based on estimated proven and probable ore reserves.

Restoration costs

The estimated cost of restoration at the end of the operating life of a mine is included in long-term provisions and charged to the income statement based on the units-of-production mined during the current year, as a proportion of the estimated total units which will be produced over the life of the mine. Cost estimates are not reduced by the potential proceeds from the sale of assets. Expenditure on ongoing rehabilitation is charged to the income statement as incurred.

Environmental rehabilitation trust funds.

Annual payments are made to a rehabilitation trust fund in accordance with statutory requirements. The trust funds are recognised separately from the liability on the balance sheet.

Definitions

Cost of sales

Cost of sales includes the historical costs of inventory expensed during the period and stock losses.

Earnings and headline earnings per share

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

Headline earnings comprise earnings for the year, adjusted for profits, losses and items of a capital nature. Headline earnings have been calculated in accordance with AC 306. These items are adjusted against earnings after taking into account attributable taxation and minority interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Cash resources

The cash resources amounts disclosed in the cash flow statement comprise cash in 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 values. Bank overdrafts, have been separately disclosed with current liabilities on the balance sheet.

	Cost 2001 R 000	Impairment 2001 R 000	Accumulated depreciation 2001 R 000	Book value 2001 R 000	Cost 2000 R 000	Impairment 2000 R 000	Accumulated depreciation 2000 R 000	Book value 2000 R 000
2. Property, plant and equipment								
At year end								
Mining assets (group only)								
Mineral and prospecting rights	83 969	–	1 888	82 081	83 703	–	1 389	82 314
Land, buildings and mine properties	71 023	–	20 837	50 186	60 915	–	18 530	42 385
Plant and machinery	493 312	–	124 523	368 789	315 806	–	105 308	210 498
Prospecting, exploration and development	245 334	–	35 024	210 310	162 064	–	26 902	135 162
Decommissioning asset	2 707	–	1 406	1 301	2 698	–	1 335	1 363
Vehicles, furniture and equipment	78 583	–	51 588	26 995	64 772	–	42 947	21 825
Leased assets capitalised	1 007	–	361	646	370	–	194	176
	975 935	–	235 627	740 308	690 328	–	196 605	493 723
Other assets (group only)								
Land and investment properties	62 243	–	398	61 845	34 342	–	9	34 333
Township property	8 575	3 660	–	4 915	8 548	–	–	8 548
Plant and machinery	23 680	–	5 773	17 907	23 794	–	1 181	22 613
Vehicles, furniture and equipment	13 746	–	9 955	3 791	11 858	–	8 336	3 522
	108 244	3 660	16 126	88 458	78 542	–	9 526	69 016
	1 084 179	3 660	251 753	828 766	768 870	–	206 131	562 739
Intangible assets								
Patented technology	3 916	–	510	3 406	3 274	–	344	2 930
Goodwill	5 661	–	1 773	3 888	3 644	–	–	3 644
	9 577	–	2 283	7 294	6 918	–	344	6 574

	Cost				Accumulated depreciation				
	Opening balance	Acquisitions	Joint venture acquisitions	Reclassifications, impairments and disposals	Opening balance	Joint venture acquisitions	Current charge	Disposals	Book value 2001
2. Property, plant and equipment (continued)									
Movement for the year									
Mining assets (group only)									
Mineral and prospecting rights	83 703	1	270	(5)	1 389	5	494	–	82 081
Land, buildings and mine properties	60 915	10 102	184	(178)	18 530	49	2 397	(139)	50 186
Plant and machinery	315 806	178 781	962	(2 237)	105 308	274	21 117	(2 176)	368 789
Prospecting, exploration and development	162 064	82 777	493	–	26 902	50	8 072	–	210 310
Decommissioning asset	2 698	–	9	–	1 335	4	67	–	1 301
Vehicles, furniture and equipment	64 772	14 152	213	(554)	42 947	141	8 814	(314)	26 995
Leased assets capitalised	370	636	1	–	194	1	166	–	646
	690 328	286 449	2 132	(2 974)	196 605	524	41 127	(2 629)	740 308
Other assets (group only)									
Land and investment properties	34 342	28 949	–	(1 048)	9	–	389	–	61 845
Township property	8 548	22	5	(3 660)	–	–	–	–	4 915
Plant and machinery	23 794	1 571	–	(1 685)	1 181	–	4 592	–	17 907
Vehicles, furniture and equipment	11 858	2 216	–	(328)	8 336	–	1 946	(327)	3 791
	78 542	32 758	5	(6 721)	9 526	–	6 927	(327)	88 458
	768 870	319 207	2 137	(9 695)	206 131	524	48 054	(2 956)	828 766
Intangible assets									
Patented technology	3 274	343	11	288	344	1	147	18	3 406
Goodwill	3 644	2 017	–	–	–	–	1 773	–	3 888
	6 918	2 360	11	288	344	1	1 920	18	7 294

Equipment with a net book value of R1 007 301 (2000: R176 589) is encumbered as security for the finance lease agreements referred to in note 12.

A register containing details of land and buildings is available for inspection during business hours at the registered address of the company by shareholders or their duly authorised agents.

Exchange difference for the year arising on the translation of the property, plant and equipment amounted to R83 032 (2000: R61 339) in a foreign subsidiary.

		Group		Company	
		2001	2000	2001	2000
		R 000	R 000	R 000	R 000
3.	Environmental rehabilitation trust fund				
	Balance at beginning of year	16 363	18 786		
	Contributions received during the year	681	696		
	Interest received	1 080	1 978		
	Increase in joint venture shareholding	9	3		
	Withdrawals from fund	(7 112)	(5 100)		
	Balance at end of year	11 021	16 363	–	–
4.	Investment in group companies				
	Investment in joint venture entity (refer note 5 below)				
	1 620 178 (2000: 1 614 878) ordinary shares in Assmang Limited				
	At cost			60 784	57 866
	Market value			972 107	888 183
	Investment in subsidiary companies				
	Shares at cost			2 170	1 546
	Current accounts – payable			1 984	4 886
	Total cost			62 954	59 412
	Details of the holding company's interest in its subsidiary companies are set out in note 28.				
5.	Investment in joint venture				
	Assore Limited has a 45,66% interest in Assmang Limited, which is controlled jointly with Anglovaal Mining Limited. Included in the group financial statements are the following amounts relating to the joint venture which were proportionately consolidated.				
	Income statement				
	Revenue	881 725	721 946		
	Turnover	879 534	718 677		
	Profit for the year after taxation and State's share of profits	105 450	57 617		
	Balance sheet				
	Property, plant and equipment	740 776	494 250		
	Environmental rehabilitation trust fund	3 721	2 688		
	Current assets	425 136	341 573		
	Current liabilities – interest bearing	415 417	215 210		
	Current liabilities – non-interest bearing	78 872	83 562		
	Long-term borrowings – interest bearing	1 293	1 671		
	Deferred taxation	119 103	87 503		
	Long-term provisions	12 205	10 664		
	Distributable reserves	536 632	433 809		

	Group		Company	
	2001	2000	2001	2000
	R 000	R 000	R 000	R 000
5. Investment in joint venture (continued)				
Cash flows				
Cash retained from operating activities	93 154	107 618		
Cash utilised in investing activities	(284 783)	(183 777)		
Cash generated in financing activities	198 481	75 369		
Cash and cash equivalents	6 853	(791)		
Commitments and contingent liabilities				
Company's interests in future capital expenditure:				
– contracted for	25 755	102 364		
– not contracted for	359 292	484 859		
	385 047	587 223		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 25.				
6. Other investments				
Listed – at market value	105 369	70 550	105 369	69 604
Unlisted – at cost	125	108	125	108
	105 494	70 658	105 494	69 712
Listed – at cost	56 248	46 176	56 248	46 174
Unlisted – at director's valuation	125	108	125	108
A register containing details of investments held by the group is available for inspection at the registered office of the holding company.				
7. Inventories				
Raw materials	132 117	106 717		
Consumable stores	17 600	15 414		
Finished goods	183 469	183 147		
	333 186	305 278	–	–
8. Share capital				
Authorised				
40 000 000 ordinary shares of 2,5 cents each	1 000	1 000	1 000	1 000
(2000: 40 000 000 ordinary shares of 2,5 cents each)				
Issued				
28 000 000 ordinary shares of 2,5 cents each	700	700	700	700
(2000: 28 000 000 ordinary shares of 2,5 cents each)				

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
9. Non-distributable reserves				
Foreign exchange gain	–	95		
Foreign currency translation reserve	3 130	1 599	–	–
Arising on the revaluation of listed investments to market value	49 122	24 375	49 121	23 429
	52 252	26 069	49 121	23 429

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
10. Deferred taxation				
Raised on the following differences				
Accelerated capital allowances	129 153	95 029		
Assessed losses utilised	(6 450)	(3 775)		
Provisions and reserves	(9 328)	(8 259)		
Prepayments deducted from taxable profit in earlier years	2 605	1 713		
Valuation of inventories	(563)	(78)		
Other	35	5		
	115 452	84 635	–	–
Movements				
Balance at beginning of year	84 635	59 620		
– Deferred tax assets	13 104	6 292		
– Deferred tax liabilities	97 739	65 912		
	30 817	25 015		
Reversing temporary difference from assessed loss	(2 663)	(2 677)		
Originating temporary difference on fixed assets	32 272	27 459		
Temporary differences from provisions made	(1 403)	(3 555)		
Temporary difference from valuation of inventories	(267)	(574)		
Increase in joint venture shareholding	287	101		
Other	2 591	4 261		
Balance at end of year	115 452	84 635		
– Deferred tax assets	16 234	13 104		
– Deferred tax liabilities	131 686	97 739		

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
11. Long-term provisions				
Provision for decommissioning and restoration	11 009	11 057		
Balance at beginning of year	11 057	11 804		
Increase in joint venture shareholding	16	6		
Provision for the year (net of interest earned in fund)	(64)	(753)		
Post-retirement health care benefits (refer note 29)	17 277	15 326		
Balance at beginning of year	15 326	12 703		
Increase in joint venture shareholding	19	10		
Provision for the year	1 932	2 613		
Provision for pension fund	–	4 518		
Balance at beginning of year	4 518	–		
Provision reversed during the year	(4 518)	4 518		
Total long-term provisions at end of year	28 286	30 901	–	–
12. Long-term borrowings				
South African long-term borrowings				
Secured loans	614	148	–	–
Finance lease liabilities over fixed assets with a book value of R1 007 301 (2000: R176 589) are repayable in varying monthly instalments over 48 months (2000: 24 months) and bear interest at 1% below the prime overdraft rate.				
Foreign long-term borrowings				
Unsecured loans – US$0,23 million (2000: US$ 0,36 million)	1 936	2 553	–	–
Total long-term borrowings	2 550	2 701	–	–
Less: repayable within one year included in short-term borrowings (refer note 15)	1 257	1 030	–	–
	1 293	1 671	–	–

Interest rates and loan repayments

Group – R 000	Rate of interest %	Total borrowings 2001 R 000	Repayable during the years ending 30 June 2002 R 000	2003 R 000	2004 R 000	2005 R 000
Secured loans – finance lease liabilities	12,0	614	152	192	174	96
Unsecured loans – interest free		1 936	1 105	831	–	–
		2 550	1 257	1 023	174	96

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
13. Accounts payable				
Trade payables	86 299	100 372	100	95
Derivative instruments	5 129	–	–	–
Other payables	3 386	2 046	–	–
	94 814	102 418	100	95
14. Provisions and accruals				
Balance at beginning of year	16 772	11 191		
Increase in joint venture shareholding	21	9		
Provisions and accruals for the year	2 545	5 572		
Payments made during the year	(5 605)	–		
Provisions and accruals at end of year	13 733	16 772	–	–
Made up as follows:				
Provisions				
Leave pay	8 310	7 585		
Self insurance	2 289	861		
Accruals				
Sundry accruals	3 134	8 326		
	13 733	16 772	–	–
15. Overdrafts and short-term borrowings				
Overdrafts	94 015	18 303		
Short-term borrowings	382 811	289 893		
Current portion of long-term borrowings (refer note 12)	1 257	1 030		
	478 083	309 226	–	–
16. Revenue				
Revenue comprises:				
Sale of products	1 146 082	963 614	–	–
Technical fees and commissions	48 082	31 896	–	–
Rental received	383	388	–	–
Income from investments	20 412	16 583	14 633	18 308
Other revenue	1 935	3 355	–	–
	1 216 894	1 015 836	14 633	18 308

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
17. Profit before taxation				
Profit before taxation and State's share of profits is stated after taking into account the following items of income and expenditure:				
Income				
Dividends received	3 622	5 334	15 774	17 167
Listed joint venture entity	–	–	12 152	12 117
Other listed investments	3 622	5 334	3 622	5 050
Income from subsidiary companies				
– administration fees			40	40
Interest received	8 771	10 150	81	86
Profit on disposal of				
– listed investments	7 283	1 267	6 837	1 267
– property, plant and equipment	2 236	1 086	–	–
Realised foreign exchange gains	15 850	900	–	–
Expenditure				
Auditors' remuneration	1 550	1 476	31	31
Audit fees	1 512	1 303	31	31
Other services	38	173	–	–
Provision and write off of doubtful debts	3 804	–		
Consumables stores written off	534	–		
Depreciation of mining assets	41 127	32 393	–	–
Mineral and prospecting rights	494	322		
Land, buildings and mining properties	2 397	1 823		
Plant and machinery	21 117	16 603		
Prospecting, exploration and development	8 072	5 272		
Decommissioning asset	67	36		
Vehicles, furniture and equipment	8 814	8 268		
Leased assets capitalised	166	69		
Depreciation of other assets	6 927	1 987	–	–
Land and investment properties	389	–		
Plant and machinery	4 592	473		
Vehicles, furniture and equipment	1 946	1 514		
Amortisation of intangible assets	147	131	–	–

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
17. Profit before taxation (continued)				
Directors' emoluments			8 373	6 126
Fees paid by the holding company				
– Executive directors			40	40
– Non-executive directors			31	26
Other emoluments paid by subsidiary companies				
– Executive directors			8 302	6 060
Fair value adjustment to assets	3 074	–		
Realised foreign exchange losses	–	6 755	–	–
Goodwill written off	1 773	754	–	–
Provision against loan receivable	450	550	450	550
Interest paid	35 762	19 782	–	–
Remuneration for				
– technical advisory services – subsidiary company	3 364	2 893	–	–
– secretarial, management, adminstrative technical and advisory services	21 406	13 879	35	8
Exploration expenditure	876	1 159	–	–
Professional fees	1 113	–	–	–
Impairment of property	3 660	–	–	–
Staff costs				
– salaries and wages	139 128	116 389	–	–
– pension fund contributions	11 972	8 778	–	–
– post retirement health care costs	5 778	6 586	–	–

The average number of employees for the year, excluding employees of the joint venture and foreign subsidiary, was 216 (2000: 301).

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
18. Taxation				
South African normal tax				
– current year	28 945	21 195	44	35
– prior year underprovision	639	1 651	–	–
State share of profits	5 631	2 974	–	–
Deferred taxation				
– temporary differences	30 531	24 914	–	–
Secondary tax on companies	1 519	1 514	–	–
	67 265	52 248	44	35

The current tax charge is affected by non-taxable investment income, capital redemption allowances and assessed tax losses in certain subsidiary companies and trading losses in other subsidiary companies for which there was no tax relief in the current year.

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
Estimated tax losses available for set-off against the taxable income arising in certain joint venture and subsidiary companies	38 605	41 437	–	–

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
18. Taxation (continued)				
Estimated unredeemed capital expenditure available for set-off against the taxable income arising on mining operations in certain joint venture and subsidiary companies	57 624	40 956	–	–
Reconciliation of tax rate (by %)				
Standard tax rate	30,00	30,00	30,00	30,00
Adjusted for:				
Dividend income	(0,44)	(1,11)	(21,57)	(29,66)
Exempt income	(1,36)	(0,37)	(9,35)	(1,87)
Under provisions prior years	0,31	1,14	–	–
Deferred tax on movement in provisions	14,98	3,64	–	–
State's share of profits	(0,83)	4,11	–	–
Temporary differences	(12,75)	(3,95)	–	–
Disallowable expenditure	0,83	0,27	0,07	0,40
Secondary tax on companies	3,51	1,03	–	–
Tax losses not utilised/(utilised)	1,20	(0,29)	–	–
Other	(2,45)	1,99	1,04	1,33
Effective tax rate	33,00	36,46	0,19	0,20
19. Dividends				
Ordinary – paid	8 960	11 200	8 960	11 200
Per share (cents)	32	40	32	40

20. Earnings and headline earnings per share

Calculation of earnings per share and headline earnings per share as set out below was determined using the following information:

	Group 2001 R 000	Group 2000 R 000
Earnings		
Net income after taxation and State's share of profits per income statement	139 042	89 591
Headline earnings		
Earnings as above	139 042	89 591
Adjusted for:		
Profit on disposal of:		
– property, plant and equipment	(2 236)	(1 086)
– listed investments	(7 283)	(1 267)
Loss on disposal of:		
– listed investments	–	185
Impairment of property	3 660	–
Provision against loan receivable	450	550
Goodwill written off	1 773	754
	135 406	88 727
Number of shares in issue	28 000	28 000
Earnings per share (cents)	497	320
Headline earnings per share (cents)	484	317

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
21. Notes to the cash flow statements				
21.1 Cash generated/(utilised) by operations				
Profit before taxation and state's share of profits	203 860	143 315	21 943	17 340
Adjusted for:				
	71 497	49 444	(22 870)	(18 335)
– Dividends received	(3 622)	(5 334)	(15 774)	(17 167)
– Interest received	(8 771)	(10 150)	(81)	(86)
– Profit on disposal of property, plant and equipment	(2 236)	(1 086)		
– Profit on disposal of investments	(7 283)	(1 267)	(6 837)	(1 267)
– Provision for bad debts and bad debts written off	3 804	–	–	–
– Consumable stores written off	534	–	–	–
– Depreciation on property, plant and equipment	48 201	34 511		
– Loss on disposal of listed investments	–	185	–	185
– Interest paid	35 762	19 782	–	–
– Movements in long-term provisions	(2 650)	6 378	–	–
– Movements in short-term provisions	2 545	5 572	–	–
– Impairments	3 660	–	–	–
– Goodwill written off	1 773	–	–	–
– Other non-cash flow items	(220)	853	(178)	–
	275 357	192 759	(927)	(995)
21.2 Investment income received				
Credited to income statements	3 622	5 334	15 774	17 167
Dividends receivable at end of year	(147)	–	(147)	–
	3 475	5 334	15 627	17 167
21.3 Cash (utilised)/generated by working capital				
Increase in inventories	(24 077)	(60 051)	–	–
(Increase)/decrease in accounts receivable	(22 720)	(40 728)	3 295	(2 954)
Decrease in amounts owing by group companies	–	–	–	3 505
(Decrease)/increase in amounts owing to group companies	–	–	(2 902)	4 886
(Decrease)/increase in accounts payable	(7 799)	22 190	5	4
Payments on provisions and accruals	(5 605)	–	–	–
	(60 201)	(78 589)	398	5 441
21.4 Taxation paid				
Unpaid at beginning of year	(16 685)	(16 961)	(41)	(44)
Increase in joint venture shareholding	(31)	(22)		
Charged to income statements	(67 265)	(52 248)	(44)	(35)
Movement in deferred taxation	30 530	24 914	–	–
Unpaid at end of year	13 438	16 685	37	41
	(40 013)	(27 632)	(48)	(38)

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
21. Notes to the cash flow statements (continued)				
21.5 Dividends paid				
Charge for the year	(8 960)	(11 200)	(8 960)	(11 200)
	(8 960)	(11 200)	(8 960)	(11 200)
21.6 Acquisition of joint venture shares				
Purchase price	(2 944)	(1 234)	(2 917)	(1 234)
Less: cash in the joint venture	1	2		
	(2 943)	(1 232)	(2 917)	(1 234)
Represented by:				
Goodwill	(1 500)	(560)		
Deferred taxation	287	101		
Long-term provisions	35	16		
Long-term borrowings	5	4		
Property, plant and equipment	(1 613)	(584)		
Intangible assets	(10)	-		
Environmental rehabilitation trust fund	(9)	(3)		
Inventories	(682)	(366)		
Accounts receivable	(435)	(192)		
Accounts payable	195	69		
Provisions	21	9		
Taxation	31	22		
Shareholders for dividends	26	14		
Overdrafts and short-term borrowings	706	238		
	(2 943)	(1 232)	–	–
21.7 Acquisition of subsidiary				
Net asset value	(365)		(365)	
Minority interest	241		241	
Goodwill on acquisition	(600)		(600)	
Purchase price	(724)	–	(724)	–
Represented by:				
Property, plant and equipment	175		175	
Inventories	190		190	
As above	365	–	365	–

22. Financial instruments and risk management

The group is exposed to certain financial risks arising from the use of financial instruments in the normal course of its operations. A treasury risk management committee has been established by the group which manages the risks in accordance with the policies summarised below:

The group does not acquire, hold or issue derivative instruments for speculative purposes.

Currency risk

The group's markets are predominantly priced in US dollars which exposes the group's cash flows to foreign exchange currency risks.

Instruments used to hedge the position of the group against currency risks comprise forward exchange contracts.

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

Forward exchange contracts

	Principal amount of forward exchange contracts			
	Currency R 000	US$	Average rate ZAR/US$	Maturity date
2001				
Debtors for sales	68 952	9 132	7,55	10 Jul 01 - 20 Aug 01
2000				
Debtors for sales	240 743	34 590	6,96	10 Jul 00 - 31 Dec 00

Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The group minimises credit risk by evaluating couterparties before concluding transactions in order to ensure the creditworthiness of such counterparties. Cash is only deposited with institutions which have exceptional credit rankings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification.

At year end, the group did not consider that there was any significant concentration of credit risk which has not been insured or adequately provided for.

Fair value

The estimated fair value of financial instruments is determined based on relevant market information which involves making assumptions and thus cannot always be determined with precision. The estimated fair value of the group's financial instruments as at 30 June was as follows:

	Group		Group	
	2001 Book value R 000	2001 Fair value R 000	2000 Book value R 000	2000 Fair value R 000
Financial assets (recognised on the balance sheet)				
Trade receivables	202 482	202 482	182 812	182 812
Deposits and cash	78 023	78 023	84 017	84 017
	280 505	280 505	266 829	266 829
Financial liabilities (recognised on the balance sheet)				
Trade and other payables	116 856	116 856	135 875	135 875
Derivative instruments	5 129	5 129	–	–
Overdrafts and short-term borrowings	478 083	478 083	309 226	309 226
Long-term borrowings – local	614	614	148	148
Long-term borrowings – foreign	1 936	1 936	2 553	2 553
	602 618	602 618	447 802	447 802

22. Financial Instruments and risk management (continued)

Interest rate risk

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash investments and financing activities.

Interest rates are continually monitored and where appropriate interest rate risks are hedged to minimise the impact thereof.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

Exposures to interest rate risk were as follows:

	Foreign currency amount US$ 000	Book value at year end R 000	Repricing date	Maturity date	Effective interest rate
Financial assets					
Year ended 30 June 2001					Overnight
Cash – financial institutions	–	78 023		Current	call deposit
Year ended 30 June 2000					Overnight
Cash – financial institutions	–	84 017		Current	call deposit
Financial liabilities					
Year ended 30 June 2001					
Local long-term borrowings					
– Hire purchase agreements	–	463		2005	12,0
Local short-term borrowings					Linked to
– Financial institutions	–	370 983		Current	money market
Foreign short-term borrowings					Linked to
– Financial institutions	4 247	96 961	30 June 01	Current	LIBOR
– Other	1 256	10 140	30 June 01	31 July 01	5,76%
	5 503	478 547			
Year ended 30 June 2000					
Local long-term borrowings					
– Hire purchase agreements		46		2002	13,5
Local short-term borrowings					Linked to
– Financial institutions		164 344		Current	money market
Foreign short-term borrowings					Linked to
– Financial institutions	4 067	121 670		Current	LIBOR
– Other	3 413	23 212	30 June 00	29 Sept 00	7,88%
	7 480	309 272			

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet a financial commitment in any location or currency as they fall due. This risk is minimised through borrowing facilities with banks. In addition, detailed cash flow forecasts and budgets are regulary prepared and reviewed by management.

	Group 2001 R 000	Group 2000 R 000	Company 2001 R 000	Company 2000 R 000
23. Capital commitments				
Expenditure authorised but not contracted for	359 292	514 859		
Expenditure authorised and contracted for	36 470	103 764		
	395 762	618 623	–	–
This expenditure relates to the acquisition of property, plant and equipment, and it is anticipated that it will be financed from own resources and existing borrowing facilities.				
24. Borrowing capacity				
The borrowing capacity of the company and its subsidiaries, in terms of its Articles of Association are as follows:				
Assore Limited				
Authorised in terms of the Articles of Association	200 000	200 000	200 000	200 000
External borrowings at year end	–	–	–	–
Assmang Limited				
Authorised in terms of the Articles of Association	534 643	439 901		
External borrowings at year end				
– long-term borrowings	1 293	1 671		
– overdrafts and short-term	478 083	309 226		
	479 376	310 897	–	–
25. Contingent liability				
Holding company guarantee issued to bankers on behalf of a subsidiary company	118 988	172 190	118 988	172 190

The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2000: R180 million). The facility is utilised for and on behalf of principals who in turn have provided back-to-back guarantees against any claims made by bankers in terms of this facility.

26. Segment information

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

Business segments:

The business of the group is principally mining of ore and beneficiation of alloys and the provision of shipping and technical services. As these are inextricably linked and are subject to the same risks and returns, the directors consider these to be one business segment. Accordingly, the disclosures required by AC115 on segment reporting are given in the income statement, balance sheet and related notes.

In addition, the group earns revenue from investments which is subject to risks and returns different from the mining business segment referred to above and accordingly, investments comprise a separate business segment. The disclosures required by AC115 on segment reporting are also given in the income statement, balance sheet and related notes.

Geographical segments:

	Group revenue by segment		Group debtors by segment	
	2001 R 000	2000 R 000	2001 R 000	2000 R 000
Customers by location				
South Africa	167 157	113 449	67 294	67 524
Europe	267 094	256 785	44 323	25 429
USA	376 078	363 862	83 055	71 848
Far East	406 565	281 740	7 810	18 011
	1 216 894	1 015 836	202 482	182 812

27. Related party transactions

Related party transactions are concluded at arm's length and under terms and conditions that are no less favourable than those arranged with third parties.

The following significant related party transactions occurred during the year;

	2001	2000
Joint venture company		
Assmang Limited		
– commissions received	35 204	26 311
– sale of chrome ore	–	3 010
– amounts receivable from related party transactions at year end	27 631	1 499
– amounts payable to related parties at year end	26 222	22 959
Foreign subsidiary		
Minerais U.S. LLC		
– commissions received	4 371	3 795
– amounts receivable from related party transactions at year end	16 344	14 191

	Issued share capital 2001 R	Issued share capital 2000 R	Direct interest in share capital 2001 %	Direct interest in share capital 2000 %	Shares at cost 2001 R 000	Shares at cost 2000 R 000	Amounts due by/(to) subsidiary companies 2001 R 000	Amounts due by/(to) subsidiary companies 2000 R 000
28. Interest of holding company in its subsidiary companies								
Incorporated in South Africa								
African Mining and Trust Company Limited	1 000 000	1 000 000	100	100	1 200	1 200	(1 894)	(4 828)
A.M.T. Investments (Proprietary) Limited	–	100 000	–	100	–	100		
Associated Asbestos Limited	200	200	100	100	–	–		
Ceramox (Proprietary) Limited	100	–	75	–	724	–		
General Nominees (Proprietary) Limited	4	4	100	100	–	–		
Erven 40 & 41 Illovo (Proprietary) Limited	1 000	1 000	100	100	1	1	(12)	
Erven 27 & 28 Illovo (Proprietary) Limited	1 000	1 000	100	100	–	–	26	
Ore & Metal Company Limited	100 000	100 000	100	100	105	105	(9)	(12)
Rustenburg Minerals Development Company (Proprietary) Limited	130 000	130 000	100	100	130	130		
South African Corundum Company Limited	–	15 000	–	100	–	15		
Wonderstone Limited	10 000	10 000	100	100	10	10	(95)	(46)
Wonderstone 1937 Limited	45 940	45 940	100	100	35	35		
Zeerust Chrome Mines Limited	1 300 000	1 300 000	100	100	1 114	1 114		
Incorporated in Namibia								
Krantzberg Mines Limited	500 000	500 000	100	100	–	–		
Incorporated in Mozambique								
Amhold Limitada	2	2	100	100	–	–		
Incorporated in United States of America								
Minerais U.S. LLC	17 756 100	17 756 100	51	51	11 418	11 418		
					14 737	14 128		
Less – held indirectly					(11 453)	(11 468)		
– provided against					(1 114)	(1 114)		
Per note 4					2 170	1 546	(1 984)	(4 886)

29. Retirement benefit information

29.1 Pensions

The group has made provision for a pension plan and provident funds substantially covering all employees. These comprise defined benefit plans which are governed by the Pension Fund Act, 1956 and a defined contribution plan which is administered by employee organisations within the industries in which members are employed. Periodic valuations of the pension plans are carried out by independent actuaries at intervals not exceeding three years. The last actuarial valuation of Fund 1 was completed on 1 July 2001.

The most recent valuation of Fund 2 was completed in August 1996, and indicated that the plan was adequately funded. Subsequent valuations have not been completed as the fund is in the process of being converted from a defined benefit to a defined contribution plan.

Defined benefit plans

There have been no major changes in the structure of the defined benefit fund nor have any unusual events taken place since the date of the last actuarial valuations which would materially affect the financial position of the funds which at 30 June 2001 was as follows:

	Fund 1 R 000	Fund 2 R 000
Actuarial present value of assets	53 718	8 600
Actuarial present value of liabilities	50 790	6 900
	2 928	1 700
Funding level	106%	125%

– Contributions to the funds by the group which were expensed amounted to R4 904 726 (2000: R2 838 278).

The principal actuarial assumptions include:
Investment returns – 10% per annum, compounded
Funding check method – Projected unit credit method
Rate of salary inflation – 7% per annum, compounded
Post retirement pension increase rate – 5% per annum, compounded
Mortality (active members) – SA 72/77 Tables for Assured Lives (ultimate rates)
Mortality (pensioners) – PA(90) Tables for Pensioners (ultimate rates)
Spouses' benefits – on average, husbands are two years older than their wives and that all members are married.

Defined contribution plan

The benefits provided by the defined contribution plan are determined by accumulated contributions and returns on investment. The amount expensed in the current year was R7 067 091 (2000: R5 939 839).

29.2 Medical aid

The group has certain obligations to fund the medical aid costs of employees and certain pensioners. The anticipated liabilities arising from these obligations are assessed annually by an independent actuarial survey which uses assumptions consistent with those adopted in determining pension costs and, in addition, includes long-term estimates of the increases in medical costs at appropriate discount rates.

29. Retirement benefit information (continued)

29.2 Medical aid (continued)

For purposes of this valuation, the benefit is assumed to accrue uniformly since the date that employment commenced until the expected date of retirement. The accrual of the benefit in this way is consistent with the Projected Unit Credit Method of valuation referred to in AC116.

The principal actuarial assumptions include:
Investment returns – 11,5% per annum, compounded
Rate of consumer price inflation – 7% per annum
General medical aid inflation will exceed general price inflation by 2,5% per annum in future.
Mortality (active members) – SA 72/77 Tables for Assured Lives (ultimate rates)
Mortality (pensioners) – PA(90) Tables for Pensioners (ultimate rates)
Spouses' benefits – on average, husbands are three years older than their wives and that all marital status will remain the same until retirement.

The actuarially determined liability in respect of the current retirees and active employees is R10 729 550 (2000: R15 323 954), which has been fully provided for at year end.

Contributions made to the group's medical aid scheme on behalf of active employees and pensioners during the current year amounted to approximately R5 777 752 (2000: R6 585 572).

30. Comparative figures

Comparative figures have been restated where necessary because of changes in accounting policies and in order to afford more meaningful presentation.

Notice to Members

Notice is hereby given that the fifty first Annual General Meeting of Assore Limited will be held at 15 Fricker Road, Illovo Boulevard, Johannesburg on 30 November 2001 at 10h30 for the following purposes:

– To receive and consider the annual financial statements for the year ended 30 June 2001.

– To elect directors in place of those retiring in accordance with the provisions of the company's Articles of Association.

– To transact any other business which may be transacted at an Annual General Meeting.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. The person so appointed need not be a member of the company.

By order of the Board

African Mining and Trust Company Limited
Secretaries

Johannesburg
27 August 2001

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Printed by Ince (Pty) Ltd

Form of Proxy

Assore Limited
1950/037394/06
("The Company")

Form of proxy for annual general meeting

I/We

(Name in block letters)

of

(Address)

being the holder/s of ordinary shares

in the Company, hereby appoint (see note 1):

1.

of or failing him

2.

of or failing him

3. the chairman of the Company, or failing him, the chairman of the annual general meeting,

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 15 Fricker Road, Illovo Boulevard, Johannesburg on Friday, 30 November 2001 at 10h30 or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

	For	Against	Abstain
Adoption of annual financial statements			
Election of retiring directors			

Signed at on 2001

Signature

Assisted by me (where applicable)

Please see notes overleaf.

Notes

1. A member is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend, speak and vote in the place of that member at the annual general meeting. A member may therefore insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting "the chairman of the Company, or failing him, the chairman of the annual general meeting". The person whose name stands first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A member's instructions to the proxy must be indicated by the insertion of an 'X' in the appropriate box provided. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or abstain from voting at the annual general meeting as he deems fit, in respect of the member's total holding.
3. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
4. Every member present in person or by proxy and entitled to vote shall, on a show of hands, have only one vote and, upon a poll, every member shall have one vote for every ordinary share held.
5. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders for which purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
6. Documentary evidence establishing the authority of the person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the chairman of the annual general meeting.
7. Forms of proxy must be lodged at or posted to the registered office of the Company or the transfer secretaries, Computershare Services Limited, Edura, 2nd Floor, 41 Fox Street, Johannesburg 2001 (PO Box 61051, Marshalltown 2107) to be received by not later than 10h30 on Wednesday, 28 November 2001.