ASSORE

Annual Report 2002

TAPPING AT MACHADODORP FERROCHROME WORKS

CONTENTS

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 Other Mineral Extractors & Mines sector.

ASSORE

Directors and Corporate Information

Left to right: Chris Cory, Desmond Sacco, Phil Crous, Bob Carpenter

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 Investor 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

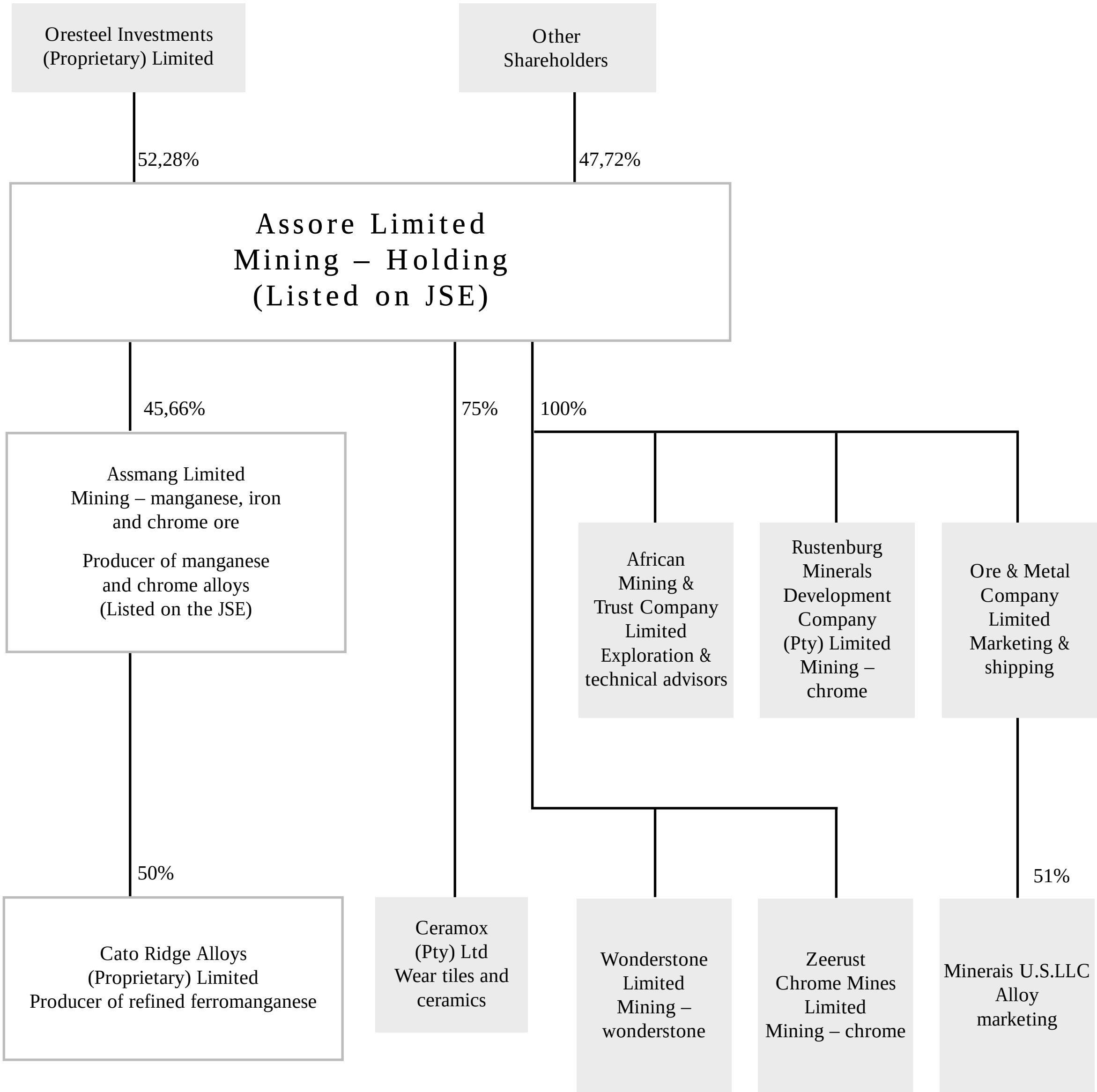
Auditors

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



ENTRANCE TO NEW NCHWANING DECLINE SHAFT

The year under review

In my report to shareholders a year ago, I commented that while the US economy – which largely underpins the economic health of the world – had enjoyed continuing strength in the 2000/2001 year, there were clear indications that it was starting to falter and that these conditions seemed likely to be exacerbated by the September 11 attack on the USA and the subsequent hostilities that flowed from that. In a large part, these events came to pass and both North America and Europe reported reduced steel production in the first half of the year but this has been more than offset by continuing high output from Asia, and particularly China, which raised steel production by 27% over the same period.

Results

The movements in the exchange rate strongly benefited Assore's results, particularly those reported by its associate Assmang, in which Assore holds a 45,7% interest and controls jointly with Avmin. The full benefits however, only flowed through in the second half of the year, which witnessed a 126% growth in earnings.

Over the year as a whole, Assore demonstrated ongoing improvements in margin with operating profit up by 87,5% to R406,5 million off a 32% rise in revenue at R1 514,4 million. Attributable earnings from the group's normal activities rose by 82,4% to R253,7 million and a further R248,3 million was earned from Assore's share in the R543 million net profit made on the disposal to Two Rivers Platinum of Assmang's Platinum group mineral rights on the Farm Dwarsrivier (PGMs). The proceeds were received in December 2001 and the profit was included as an exceptional item in the interim results.

As usual, Assore also benefited from its role as sole marketing agent for Assmang's products, most of which showed growth in sales and revenue over the year as detailed below and commissions earned improved accordingly.

Headline earnings per share for the year rose by 86,7% to 903,2 cents and a total dividend of 80 cents (2001: 32 cents) was declared which included a once off distribution in the interim dividend in respect of the disposal of the PGMs.

Sales volumes

Sales of Assmang's products increased in all sectors except manganese alloys in which there was a slight decrease. Income from the sales of these products increased significantly in most cases as a function of the US dollar/SA rand exchange rate over the year.

	2002	2001
	'000 metric tons	
Iron ore	4 775	4 315
Manganese ore (excluding deliveries to the Cato Ridge Works)	993	979
Manganese alloys	187	193
Charge chrome	190	125
Chrome ore (excluding deliveries to Machadodorp Works)	39	–

Capital expenditure

Capital expenditure during the year was targeted primarily at Assmang's mines and alloy works, where some R372 million (2001: R626 million) was spent, mainly on the following capital projects:

– the new charge chrome smelter and sinter facilities at Machadodorp which were commissioned in January of this year at a cost of R375 million;

– construction of the new shaft complex at Nchwaning manganese mine which is on schedule, planned for completion in the second half of 2003, and budgeted to cost R517 million.

Capex for Assmang in the forthcoming year is expected to total approximately R644 million and will be targeted primarily at completing the new Nchwaning iii Shaft complex and other on-going capital replacement and enhancement projects.

Borrowings

As forecast in my previous report, last year's relatively high level of interest bearing borrowings, amounting to R478,0 million, has been reduced to R353,4 million, following receipt by Assmang of the proceeds on the disposal of the PGMs.

Corporate programmes

The group remains committed to contributing to the economic and social development of the communities in which it operates and has undertaken a diverse programme of community projects in these areas. Over the years these projects have made significant progress towards improving prevailing socio-economic conditions through collaboration with relevant social partners and local communities at all mines and works. These programmes include a focus on education, life skills training, environmental awareness and health care.

Chairman's Statement

At each operating entity the safety of its operational facilities, the health of its employees, 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;

– ISO 14001 accreditation was achieved by the Beeshoek Iron Ore division, Black Rock manganese operations, the Machadodorp Ferrochrome Works and the Wonderstone mine and manufacturing operation;

– Various other environmental activities were completed during the year, including the preservation of indigenous fauna and flora, the prevention of water pollution and control of dust emissions;

– The Rustenburg chrome mine won the EMEM (Excellence in Mining Environmental Management) award in the North-west Province.

Outlook

The health of the world's economy remains precarious and is further exacerbated by threats of war in the Middle East. The world's metal markets could be significantly affected should a state of prolonged hostilities be inflicted upon the world by this conflict.

While overall sales of the group's products remain fairly buoyant and this trend appears likely to continue into the new financial year, international and local economic conditions remain volatile. The influence imparted by the SA Rand/US Dollar exchange rate upon the group's performance should constantly be borne in mind in attempting to forecast future prospects.

Current circumstances suggest that this will be another good year for world-wide steel production, with production in calendar 2002 expected to reach 870 million tons, outstripping the record achieved in 2001 by 2,9%. This would suggest that both iron and manganese ore sales should remain at about the same levels but with lower dollar prices than in the past year. The group's share of manganese alloy sales is anticipated to increase in line with the higher production achievable at the Cato Ridge Works. US dollar prices have improved markedly since the year end, but are expected to come under pressure when supply disruptions are overcome.

The improvement in the stainless steel market should at least be sustained and production is anticipated to reach a record of almost 20 million tons for calendar 2002. Better margins for ferrochrome could flow firstly from improved utilisation of available capacity and secondly, from higher prices which have already improved meaningfully, albeit off a very low base.

While the market position is encouraging, results may be negatively affected if rail facilities and rolling stock on which exports are dependent are not fully maintained and upgraded timeously. A number of South African exporters of bulk materials have expressed similar sentiments in recent months. Given the strong emphasis rightly being placed by Government upon job creation and poverty alleviation through expansion of the economy, the circumstances justify investigations into the shortcomings which undoubtedly exist in the transporting of bulk materials for export.

Dividends

An increased interim dividend of 40 cents (2001: 12 cents) per share was declared on 11 March 2002. This included a once-off distribution flowing from the receipt of the proceeds on the disposal of the PGM's which were received in December 2001. An increased final dividend of 40 cents per share (2001: 20 cents) has been declared, based on the improved headline earnings. This dividend has not been reflected in the results for the year as it was declared after the reporting date of 30 June.

Appreciation

The gratifying performance on which I have been able to report could not have been achieved without dedicated input from management and staff in all our operations. To my colleagues on the Board, I give my personal gratitude for their support and counsel and to our customers, suppliers, advisors and consultants and the people from the many statutory and other organisations with whom we deal, I express our thanks.

Desmond Sacco
Chairman

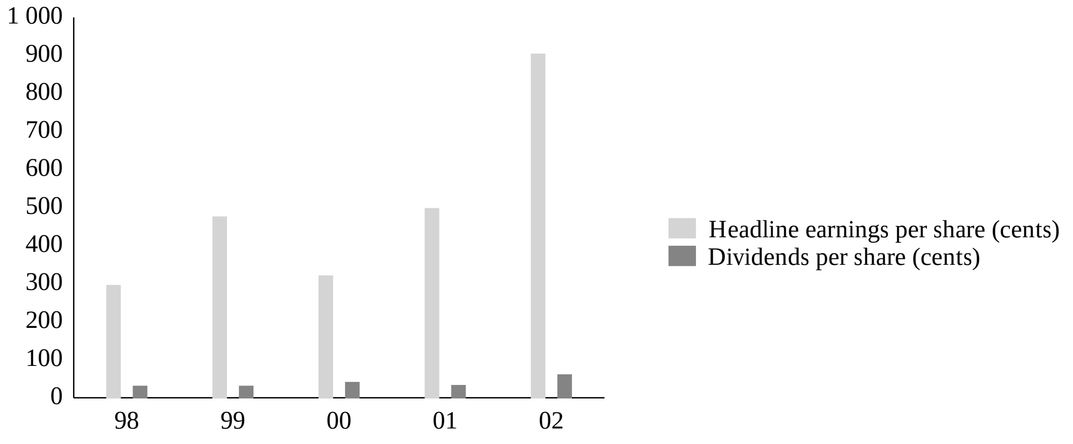
11 September 2002

Beneficiation plant at Beeshoek Iron Ore mine

FIVE-YEAR SUMMARY

of the consolidated financial statements

Income Statements	1998 R 000	1999 R 000	2000 R 000	2001 R 000	2002 R 000
Turnover	752 376	820 213	963 614	1 146 082	1 514 406
Net profit before exceptional item	132 127	196 130	143 315	203 860	385 951
Exceptional item	–	–	–	–	248 278
Taxation and State's share of profits	49 596	63 075	52 248	67 265	131 894
Net profit after taxation and State's share of profits	82 531	133 055	91 067	136 595	502 335
Loss/(profit) attributable to minority interests	–	–	(1 476)	2 447	(381)
Net profit before exceptional items and dividends	82 531	133 055	89 591	139 042	501 954
Dividends	8 400	8 400	11 200	8 960	16 800
Accumulated profit	74 131	124 655	78 391	130 082	485 154
Number of ordinary shares in issue ('000)	28 000	28 000	28 000	28 000	28 000
Earnings per share (cents)	295	475	320	497	1 793
Headline earnings per share (cents)	301	471	317	484	903
Dividends per share (cents)	30	30	40	32	60

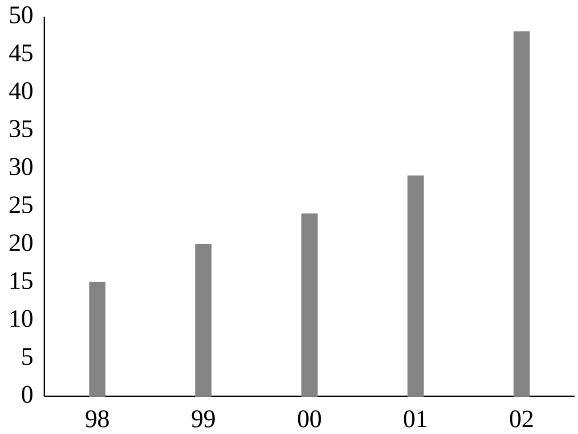


Headline earnings and dividends per share (cents)

Five-year Summary

of the consolidated financial statements

Balance Sheets	1998 R 000	1999 R 000	2000 R 000	2001 R 000	2002 R 000
ASSETS					
Non-current assets					
Long-term assets	251 273	377 805	569 313	836 060	956 950
Enviromental rehabilitation trust funds	–	18 785	16 363	11 021	12 829
Investments	43 473	50 834	70 658	105 494	179 051
	294 746	447 424	656 334	952 575	1 148 830
Current assets					
Cash resources	82 664	101 865	84 017	78 023	84 633
Other current assets	274 867	330 972	488 090	527 567	769 176
TOTAL ASSETS	652 277	880 261	1 228 441	1 558 165	2 002 639
EQUITY AND LIABILITIES					
Share capital and reserves					
Ordinary shareholders' interest	410 050	549 831	654 421	802 680	1 325 020
Outside shareholders' interest	–	–	11 712	10 386	13 796
Shareholders' equity	410 050	549 831	666 133	813 066	1 338 816
Non-current liabilities					
Deferred taxation	42 292	59 620	84 635	115 452	173 261
Long-term liabilities	12 716	26 874	32 572	29 579	32 032
	465 058	636 325	783 340	958 097	1 544 109
Current liabilities					
Non-interest bearing	102 498	105 074	135 875	121 985	105 129
Interest bearing	84 721	138 862	309 226	478 083	353 401
TOTAL EQUITY AND LIABILITIES	652 277	880 261	1 228 441	1 558 165	2 002 639
Net asset value per share (rand)	15	20	24	29	48



Net asset value per share (rands)

Approval of Annual Financial Statements

The annual financial statements were approved by the board of directors on 11 September 2002 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
11 September 2002

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 2002. 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 2002 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
11 September 2002

Directors' Report

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 "Other Mineral Extractors & Mines" sector and its ultimate holding company is Oresteel Investments (Proprietary) Limited.

The group's principal investment is its 45,7% interest in Assmang Limited (Assmang) which is also listed on the JSE and which it controls jointly with Avmin Limited in terms of a long standing arrangement. Assmang is involved in the mining of manganese, iron and chrome ores and the production of manganese and chrome alloys. In addition the group mines chrome ore and Wonderstone (a type of pyrophyllite) for its own account and produces a range of ceramic products for use in specialised industrial applications.

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 14.

Financial results

The financial results of the group for the year ended 30 June 2002 are summarised below:

	2002 R000	2001 R000
Turnover	1 514 406	1 146 082
Net profit after taxation and before exceptional item	254 057	136 595
Exceptional item	248 278	–
Profit after taxation and State's share of profits	502 335	136 595
Outside shareholder's interest of profit/(loss)	381	(2 447)
	501 954	139 042
Dividends	16 800	8 960
Retained profit for the year	485 154	130 082

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 expressing an opinion on the 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 otherwise indicated, have been applied consistently with the previous year.

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 (refer below), 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 Assore Group subscribes, in all its activities, to a policy of best practice in business management and corporate governance for South African companies.

The company's shares are listed on the JSE which requires that all listed companies comply with the Code of Corporate Practices as set out in the King Report on Corporate Governance. The King Report on Corporate Governance was originally issued in November 1994 and updated in March 2002 as the King II Report. The objective of the King Reports is to formulate recommendations for the maintenance and improvement of standards of corporate governance in South African companies in accordance with international best practice.

To a large extent the group's practices are already in line with most of the requirements of these reports and during the forthcoming financial year consideration will be given to those practices recommended in the King II Report which have not yet been implemented by the group.

Board of Directors

The holding company has a unitary board structure comprising of seven directors, four of which are executive and three non-executive.

Administrative personnel at Assore House

Of the three non-executive directors Messrs R Chute and J de Wet represent the Old Mutual Life Assurance Company (South Africa) Limited (Old Mutual) which has a significant interest in the group and Mr B Hawksworth is considered independent of management. The non-executive directors do not receive any benefits from the company other than their fee for services as directors, which, in the case of the directors representing Old Mutual, is paid over to their employer.

The four executive directors are Messrs Desmond Sacco (Chairman, Managing Director and controlling shareholder), R J Carpenter (Deputy Chairman), C J Cory (Group Financial Director), and P C Crous (Group Technical Director) and each of these executives are also on the board of listed associate Assmang.

In view of the shareholding structure and board composition the board does not consider it appropriate to separate the functions of Chairman and Managing Director by appointing a non-executive chairman.

The directors are committed to the principles of corporate discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. Full details regarding emoluments paid to directors and directors' interests in shares of the company are disclosed on page 39 of this report and none of the executive directors have signed contracts of service with the company requiring either notice for a specified period or additional compensation on termination.

All directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the company's Articles of Association. In addition all directors are subject to re-election by shareholders at the first annual general meeting following their initial appointment.

The Board retains full and effective control over the group, meeting at least four times per annum on predetermined dates with additional meetings convened when considered necessary.

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 was approved by the Board and 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 resolve issues arising from their respective audits and report the results of their reviews to the Board.

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 risk review has been undertaken of the group's activities and areas are selected for review based on a relative risk basis. Those areas selected are summarised each year in a programme of internal risk reviews 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, separate independent investigations of internal controls 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.

Compliance with legislation

As part of the internal audit function the group has embarked on a review of its compliance with the legislation in the areas of environmental rehabilitation, health and safety, and human resource management. The initial review should be complete by the end of 2002 and any areas of non-compliance will be addressed as and when reports are submitted.

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 various risk management committees which comprise representatives from senior management. The committees report 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.

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

– rehabilitation regarded as part of the mining process

– 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 new Mineral and Petroleum Resources Development Bill ("the Bill") was recently approved by Parliament and awaits assent by the President. A key objective of the Bill is that the State should be the custodian of the nation's mineral resources. The company is adjusting to the new legal framework to enable it to continue to make a contribution to all its stakeholders, including the communities in which it operates.

The bill provides for a Socio-Economic Empowerment Charter, which is currently being prepared by the Department of Minerals and Energy. The Charter will set the framework, targets and timetable for effecting Black Economic Empowerment in the industry. The group is confident that, as a result of the direct and constructive debate with government officials, in particular, the Minister and the Department of Minerals and Energy and other interested parties such as the industry's labour movement, the Charter will be finalised in a way that will be advantageous to all stakeholders.

Linked to the Bill, and still to be formulated, is the Money Bill, which will govern the payment of royalties to the State with regard to the mining rights which the State will grant in terms of the new legislation.

Code of ethics

A comprehensive code of ethics has not as yet been developed but policies and practices have been formulated to regulate various aspects of corporate behaviour to ensure that the group remains 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.

Review of operations

The activities of the group were conducted through its jointly controlled entities and subsidiary companies. Details of the investment in the jointly controlled entity, and subsidiary companies are set out on pages 15 and 18 of this report respectively.

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

	2002 %	2001 %
Mining and beneficiation	90,7	82,6
Shipping and technical administration	5,7	10,5
Investments	3,6	6,9
	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	47 802	31 238
– Losses	921	6 665
Jointly controlled entity		
– Income	428 596	100 766

Mining and beneficiation

With effect from 1 July 2001 the alloy producing activities of wholly owned Assmang subsidiary, Feralloys Limited, were transferred to its holding company Assmang whose combined operations have been divisionalised into a manganese, iron, and chrome divisions.

Manganese. Manganese ore is mined by Assmang in the Black Rock area of the Northern Cape province and manganese alloys are produced at its Cato Ridge Works in KwaZulu-Natal province. Cato Ridge Alloys, a joint venture between Assmang, Mizushima Ferroalloys Company Limited and Sumitomo Corporation Limited produces refined ferromanganese at the Cato Ridge Works. Feed for the Cato Ridge Works is derived from the Black Rock mine and the bulk of both ore and alloy production is exported.

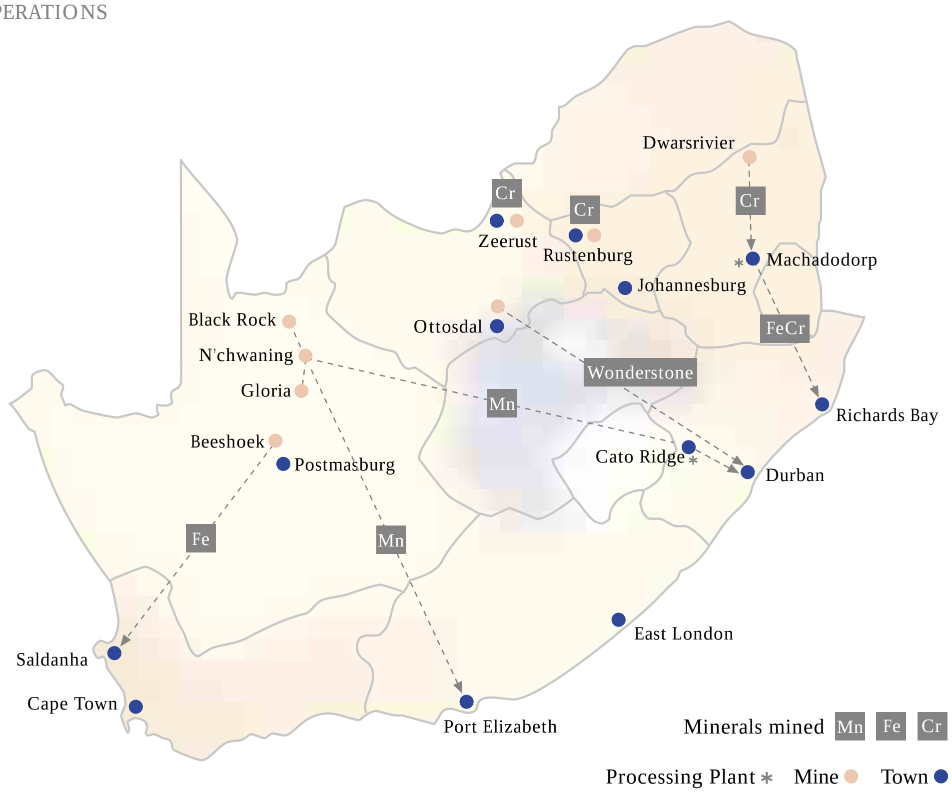
Sales volumes for the year were as follows:

	2002	2001
	'000 metric tons	
Manganese ore	993	979
(excluding deliveries to Cato Ridge Works)		
Manganese alloy	187	193

While global steel production in the first half of the year was lower due to worldwide economic deceleration, sales volumes of manganese ore, excluding deliveries to Cato Ridge Works, increased marginally to 993 tons in line with an increase in global steel production in the second half. Manganese alloy volumes were affected by disruptions in production at the Cato Ridge plant and as a result were slightly lower.

US dollar prices for manganese ore increased marginally on the previous year whereas prices for manganese alloy reduced marginally over the year. Results of the division were however significantly affected by the weakening of the SA Rand/US dollar exchange rate. On this basis the contribution to Assore's earnings from the Manganese Division increased to R160,2 million (2001: R81,1 million).

LOCATION OF OPERATIONS



Iron ore. Iron ore is mined in the Postmasburg area of the Northern Cape, the bulk of which is exported. Sales volumes for the year increased to 4,8 million tons (2001: 4,3 million tons) largely as a result of the stronger demand experienced in the second half particularly in the East. US dollar prices for both lumpy and fines remained fairly consistent with the previous year, however sales revenue increased significantly as a result of the weakening rand and the contribution to Assore's profit for the year from this division was R61,7 million (2001: R24,9 million).

Chrome ore and alloys. Chrome ore is mined at Assmang's Dwarsrivier mine near Lydenburg in Mpumalanga Province. Ore mined is used mainly to supply the group's Machadodorp Ferrochrome Works and a small tonnage is exported. Sales volumes increased significantly particularly in the second half as the new furnace and pelletising plant were brought on stream.

	2002	2001
	'000 metric tons	
Chrome ore	39	–
(excluding deliveries to Machadodorp works)		
Charge chrome	190	125

US dollar prices were considerably lower than the previous year and they remained at these low levels for most of the year. Although prices increased significantly in Rand terms with the weaker exchange rate, the division contributed a loss after tax of R18,0 million (2001: R0,7 million profit).

Assmang continued its significant capital expenditure programme during the year spending R372 million (2001: R626 million), mainly on the following two major projects:

– the 54 MVA furnace and 350 000 ton per annum pelletising plant at the Machadodorp Chrome Works costing R375 million which was commissioned during the year, and should increase production capacity to 300 000 tons per annum;

– development of the new R517 million shaft complex at the Nchwaning manganese mine which will be commissioned as planned in late calendar 2003.

The group also mines chrome ore near Rustenburg (Rustenburg Minerals Development Company (Proprietary) Limited) in opencast operations and production is supplied to the local market. Approximately 122 507 (2001: 169 582) tons of lumpy and concentrate were produced during the year which resulted in a small profit (2001: small loss). As the mine is operated with the use of contractors, capex was negligible. During the year the mine was awarded the Excellence in Mining Environmental Management (EMEM) award in the North-west Province and was recognised in the National Award.

The group also owns a chrome mine in the Northern Province near Zeerust (Zeerust Chrome Mines Limited) which, due to the weaker ferrochrome price was not operational. The mine has been rehabilitated to meet all existing requirements and was kept on a care and maintenance basis.

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 United Kingdom 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 1 500 tons (2001: 2 453 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 range 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 R24,8 million (2001: R29,2 million), due mainly to lower demand for blocks and 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 strongly by movements in the crude oil price. As a result of the lower sales volumes operating profit decreased marginally to R18,2 million (2001: R19,5 million) for the year under review.

Both the mine and its manufacturing operations were awarded ISO 9002:2000 accreditation with the mine also receiving ISO 14001 accreditation subsequent to the year end.

Capital expenditure for the year amounted to R7,2 million, (2001: R1,9 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. Due to process development work undertaken during the year the division has yet to become operational and a loss of R10,1 million was incurred for the year. Markets are being established for the superior production quality achieved during the year and the division should operate on a cash positive basis in the forthcoming year. Capital expenditure for the year amounted to R5,9 million (2001: R1,4 million) and a second press has been ordered at a cost of R35,6 million which is scheduled for delivery in April 2003.

Shipping and technical administration

Wholly owned subsidiary Ore & Metal Company Limited is responsible for the marketing and shipping of all the group's products, including those produced by the three divisions of Assmang. 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 R2,9 billion (2001: R1,9 billion) were marketed and distributed in 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.

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.

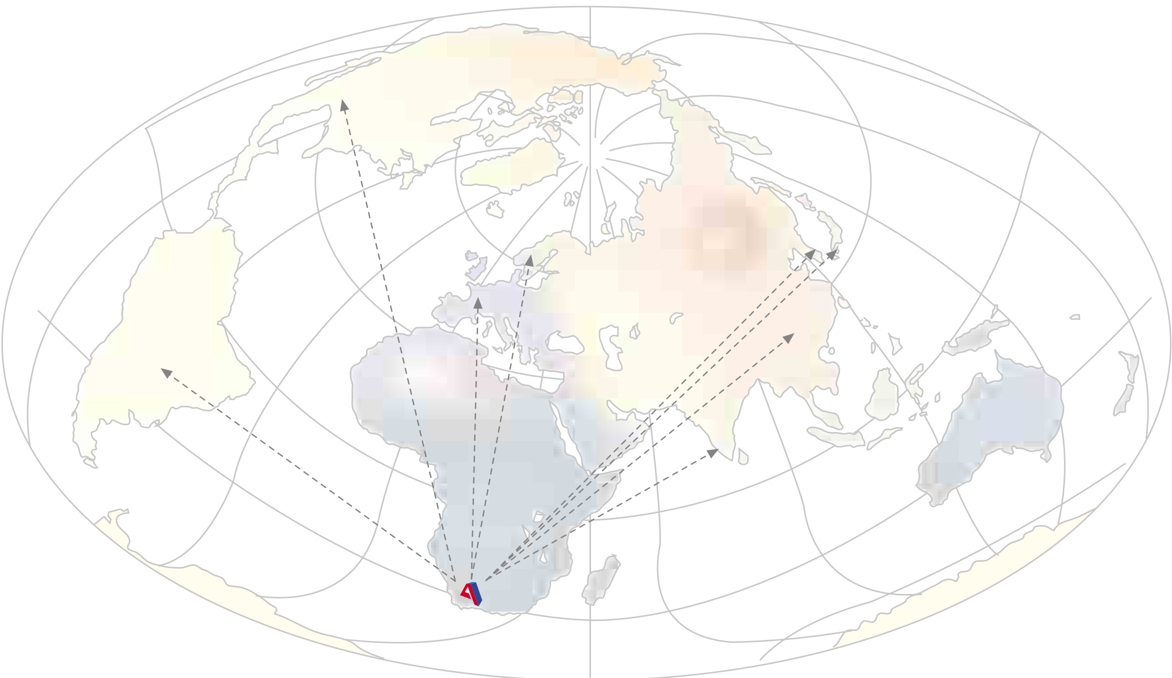
Investments

The group maintains a portfolio of listed shares which are selected and held in accordance with long-term investment criteria. During the year R31,6 million (2001: R19,1 million) was invested in the portfolio and disposals realised R1,0 million (2001: R16,5 million) comprising mainly odd-lots and small holdings acquired as a result of merger and take-over activity. The portfolio is valued in the financial statements at market value and the difference between cost and market value is transferred to a non-distributable reserve at year end net of any capital gains tax which would arise on eventual disposal. At year end the market value of the portfolio was R178,9 million (2001: R105,4 million) based on a cost of R87,9 million (2001: R56,2 million). Dividends received for the year were R4,8 million (2001: R3,6 million) and the profit on the disposals referred to above was R0,1 million (2001: R7,3 million).

Net profit on investments also includes interest received of R9,8 million (2001: R3,6 million) generated on cash in excess of current requirements which is invested on a short-term basis in the money market.

Jointly controlled entity

The group owns 45,7% (2001: 45,7%) of the ordinary share capital of Assmang Limited (Assmang), which is listed on the JSE under the "Other Mineral Extractors and Mines" sector. The results of Assmang



EXPORT DESTINATIONS

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 2002. The calculation of attributable earnings for consolidation purposes was based on the earnings of Assmang for the year ended 30 June 2002 and dividends declared up to 30 June 2002.

Consolidated income statement of Assmang

	2002 R 000	2001 R 000
Turnover	2 809 352	1 926 189
Profit before exceptional item	689 732	349 879
Exceptional item	543 720	–
Profit before taxation and State's share of profit	1 233 452	349 879
Taxation and State's share of profit	246 911	118 943
Earnings	986 541	230 936
Dividends	47 901	26 612
Retained profit for the year	938 640	204 324
Earnings per share		
– attributable (rands)	278,04	65,08
– headline (rands)	124,80	64,92

Consolidated balance sheet of Assmang

	2002	2001
Assets		
Property, plant and equipment and non-current assets	1 899 422	1 658 014
Current assets	1 439 226	931 053
Total assets	3 338 648	2 589 067
Equity and liabilities		
Shareholders' funds	2 127 254	1 188 614
Non-current liabilities	411 690	317 955
Current liabilities		
– interest bearing	576 849	909 767
– non-interest bearing	222 855	172 731
Total equity and liabilities	3 338 648	2 589 067
Number of ordinary shares in issue (thousands)	3 548	3 548
Capital expenditure (Rm)	372	624
Capital commitments (Rm)	697	843

Exceptional item

During the year the shareholders of Assmang approved the disposal of its Platinum Group Mineral Rights and associated freehold property on the farm Dwarsrivier (PGMs) to Two Rivers Platinum (Proprietary) Limited for R553 million. The PGMs consist of the mineral rights to platinum, palladium, rhodium, ruthenium, osmium, iridium, silver and gold contained in the Merensky and UG-2 reefs. The proceeds on disposal were received in December 2001 and the surplus of R544 million (Assore's share R248,3 million) on the disposal has been disclosed separately in the income statement as an exceptional item.

Dividends

An increased interim dividend of 40 cents per share was declared on 11 March 2002 and paid to shareholders on 22 April 2002. This declaration included a once-off distribution flowing from the receipt of the proceeds on the disposal by Assmang of the PGMs. (refer Exceptional item above)

Based on headline earnings an increased final dividend of 40 cents (2001: 20 cents) was declared on 17 September 2002 payable to shareholders on 14 October 2002. This dividend has not been included in the results for the year as it was declared after the year end.

In accordance with the group's accounting policy, the following dividends which were declared during the accounting period have been disclosed in the financial statements:

	2002 R 000	2001 R 000
Final dividend No. 89 of 20 cents (2001: No. 87 of 20 cents) declared on 11 September 2001	5 600	5 600
Interim dividend No. 90 of 40 cents (2001: No. 88 of 12 cents) per share declared on 11 March 2002	11 200	3 360
	16 800	8 960

Directorate

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 Desmond Sacco and P C Crous retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Director's emoluments and interests in shares of the company

Emoluments paid to directors for the year were as follows:

	2002 R 000	2001 R 000
Executive directors	9 203	7 231
Alternate director	1 655	1 274
Non-executive directors	35	31
	10 893	8 536

Details of the emoluments of individual directors are set out in note 18 to the financial statements.

Interests of the directors in the ordinary shares of the company at 30 June 2002 were as follows and the company is unaware of any material change in these interests between 30 June 2002 and the reporting date:

	No. of shares 2002	No. of shares 2001
Beneficial		
Executive directors		
Desmond Sacco	100 000	100 000
R J Carpenter	22 400	32 400
C J Cory	10 000	10 000
P C Crous	500	1 000
Alternate directors		
J W Lewis	2 500	1 300
Non-executive directors		
R A Chute	–	–
J S de Wet	–	–
B M Hawksworth	–	–
	135 400	144 700
Non-beneficial		
Executive directors		
Desmond Sacco	8 000	8 000
R J Carpenter	8 000	8 000
C J Cory	8 000	8 000
P C Crous	8 000	8 000
Alternative director		
J W Lewis	–	–
Non-executive directors		
R A Chute	8 000	8 000
J S de Wet	–	–
B M Hawksworth	–	–
	40 000	40 000

None of the directors or their families hold any options to acquire shares in the company nor are they entitled to any gains by way of commissions, profit sharing arrangements or contracts entered into with group companies.

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.

	2002 %	2001 %
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10 per cent of the share capital	75,1	93,3
– Directors of the company	0,6	0,7
	75,7	94,0
Public	24,3	6,0
	100,0	100,0

*As defined by Rule 4.26 of the JSE Listing Requirements

	2002	2001
Major shareholders holding more than 10% of the share capital		
Oresteel Investments (Proprietary) Limited	52,28	52,28
Old Mutual Life Assurance (South Africa) Limited	22,92	22,92
Anglovaal Mining Limited	9,32	18,25
	84,52	93,45
Others – less than 10%	15,48	6,55
	100,00	100,00

Holding company

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

Johannesburg
11 September 2002

BALANCE SHEETS

at 30 June 2002

		Group		Company	
		2002	2001	2002	2001
	Note	R 000	R 000	R 000	R 000
ASSETS					
Non-current assets					
Property, plant and equipment	2	956 950	836 060	–	–
Environmental rehabilitation trust funds	3	12 829	11 021	–	–
Investment in group companies	4			62 980	62 954
Other investments	6	179 051	105 494	179 051	105 494
		1 148 830	952 575	242 031	168 448
Current assets					
Inventories	7	448 330	333 186	–	–
Trade and other receivables		320 846	194 381	494	352
Cash resources		84 633	78 023	18	1
		853 809	605 590	512	353
TOTAL ASSETS		2 002 639	1 558 165	242 543	168 801
EQUITY AND LIABILITIES					
Share capital and reserves					
Share capital	8	700	700	700	700
Non-distributable reserves	9	89 438	52 252	82 897	49 121
Distributable reserve		1 234 882	749 728	126 534	116 859
Shareholders' equity		1 325 020	802 680	210 131	166 680
Non-current liabilities					
Outside shareholders' interest		13 796	10 386		
Deferred taxation	10	173 261	115 452	8 176	–
Long-term provisions	11	31 716	28 286	–	–
Long-term borrowings	12	316	1 293	–	–
Loans from group companies				24 150	–
		1 544 109	958 097	242 457	166 680
Current liabilities					
Accounts payable	13	68 938	98 176	85	100
Provisions	14	10 248	10 371	–	–
Amounts due to group companies				–	1 984
Taxation		25 943	13 438	1	37
Overdrafts and short-term borrowings	15	353 401	478 083	–	–
		458 530	600 068	86	2 121
TOTAL EQUITY AND LIABILITIES		2 002 639	1 558 165	242 543	168 801

INCOME STATEMENTS

for the year ended 30 June 2002

		Group		Company	
		2002	2001	2002	2001
	Note	R 000	R 000	R 000	R 000
Revenue	16	1 593 576	1 216 894	26 775	14 633
Turnover		1 514 406	1 146 082	–	–
Cost of sales		1 052 223	846 503	–	–
Gross profit		462 183	299 579	–	–
Other operating income		70 054	50 677	60	40
Other operating expenses		(125 712)	(133 405)	(306)	(831)
Profit/(loss) from operations		406 525	216 851	(246)	(791)
Exceptional item	19	248 278	–	–	–
Income from investments		14 633	22 771	26 715	22 734
Finance costs		(35 207)	(35 762)	–	–
Profit before taxation and State's share of profits	17	634 229	203 860	26 469	21 943
Taxation and State's share of profits	20	131 894	67 265	(6)	44
Profit after taxation and State's share of profits		502 335	136 595	26 475	21 899
Outside shareholders' share of profit/(loss)		381	(2 447)		
Net profit		501 954	139 042	26 475	21 899
Earnings per share (cents)	22	1 793	497		
Headline earnings per share (cents)	22	903	484		
Dividends per share (cents)	21	60	32	60	32

Cash Flow Statements

for the year ended 30 June 2002

		Group		Company	
		2002	2001	2002	2001
	Note	R 000	R 000	R 000	R 000
Cash retained from operating activities		101 785	142 667	7 498	6 171
Cash generated /(utilised) by operations	23.1	482 036	275 357	(245)	(927)
Investment income	23.2	4 848	3 475	26 721	15 627
(Utilised to increase)/generated by decrease in working capital	23.3	(273 183)	(60 201)	(2 203)	398
Cash generated by operating activities		213 701	218 631	24 273	15 098
Interest income		9 794	8 771	2	81
Finance costs		(35 207)	(35 762)		
Taxation paid	23.4	(69 756)	(40 013)	(30)	(48)
Cash available from operating activities		118 532	151 627	24 245	15 131
Dividends paid	23.5	(16 747)	(8 960)	(16 747)	(8 960)
Cash generated by/(utilised in) investing activities		30 493	(316 429)	(31 631)	(6 186)
Acquisition of listed investments – joint venture shares	23.6	(26)	(2 943)	(26)	(2 917)
– other		(31 606)	(19 149)	(31 606)	(19 150)
Additions to property, plant and equipment		(191 502)	(319 032)		
Net additions to intangible assets		(1 596)	(613)		
Acquisition of subsidiary company	23.7	–	(724)	–	(724)
Net movement in environmental rehabilitation trust funds		(1 808)	5 351	–	–
Proceeds on disposal of platinum group metal mineral rights		248 278	–	–	–
Proceeds on disposal of – property, plant and equipment		8 752	3 630	–	–
– group company		–	500		500
– listed investments		1	16 551	1	16 105
Cash (utilised)/generated in financing activities		(125 668)	167 768	24 150	–
Short-term borrowings (repaid)/raised		(124 691)	168 151	–	–
Long-term borrowings raised		(977)	(383)	–	–
Movement in group company balances		–	–	24 150	–
Increase/(decrease) in cash resources for the year		6 610	(5 994)	17	(15)
Cash resources at beginning of year		78 023	84 017	1	16
Cash resources at end of year		84 633	78 023	18	1

Statements of Changes in Equity

for the year ended 30 June 2002

	Group		Company	
	2002	2001	2002	2001
	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	52 252	26 069	49 121	23 429
Net increase in the market value of listed investments	41 951	24 747	41 952	25 692
Deferred capital gains taxation provided on revaluation of listed investments to market value	(8 176)	–	(8 176)	–
Foreign exchange gain transferred to distributable reserves on realisation	–	(95)	–	–
Foreign currency translation reserve	3 411	1 531	–	–
Balance at end of year	89 438	52 252	82 897	49 121
Distributable reserve – retained earnings				
Balance at beginning of year	749 728	619 551	116 859	103 920
Earnings per income statement	501 954	139 042	26 475	21 899
Foreign exchange gain transferred from non-distributable reserve	–	95	–	–
Ordinary dividend				
No's 89 and 90 aggregating 60 cents per share (2001: 32 cents per share)	(16 800)	(8 960)	(16 800)	(8 960)
	1 234 882	749 728	126 534	116 859
Per balance sheet	1 325 020	802 680	210 131	166 680

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. These policies comply with the accounting standards issued by the International Accounting Standards Committee and the South African Institute of Chartered Accountants.

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;

1. Accounting policies (continued)

Intangible assets (continued)

Research and development (continued)

- 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 which is limited to a maximum of twenty years.

Property, plant and equipment and depreciation

Property, plant and equipment is stated at cost less accumulated depreciation. Impairments to the value of property, plant and equipment 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. Depreciation of the various types of assets is determined on the following bases:

Mineral and prospecting rights

Mineral rights which are being depleted are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. Where the reserves are not determinable, due to their scattered nature, the straight-line method is applied. The maximum rate of depletion of any mineral right is 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 township property are not depreciated. Owner occupied properties are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. The annual depreciation rates used vary between two and ten per cent.

Mine properties, including houses, schools and administration blocks, are depreciated at lesser of life of mine and expected useful life of the asset on the straight-line basis over their expected useful lives, to estimated residual values.

Plant and equipment

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

Prospecting, exploration, 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.

1. Accounting policies (continued)

Property, plant and equipment (continued)

Prospecting, exploration, development (continued)

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.

Inventories

Inventories are valued at the lower of cost and estimated net realisable value with due allowance being made for obsolescence and slowmoving 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.

Deferred taxation

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.

1. Accounting policies (continued)

Deferred taxation (continued)

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 bases:

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.

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.

Dividends

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

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.

1. Accounting policies (continued)

Listed investments

Listed investments, other than investments in jointly controlled entities, are classified as available-for-sale-financial assets and are disclosed at fair value which equates with market value. The difference between cost and fair value is transferred to a non-distributable reserve.

Gains and losses on subsequent measurement are recognised against non-distributable reserves until the investment is disposed of, or its original cost considered to be impaired, at which time the cumulative gain previously reported in equity and the impairment of the cost where applicable are included in the income statement.

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.

1. Accounting policies (continued)

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 AC306. 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 2002 R 000	Accumulated depreciation 2002 R 000	Book value 2002 R 000	Cost 2001 R 000	Accumulated depreciation 2001 R 000	Book value 2001 R 000
2. Property, plant and equipment						
At year end						
Mining assets (group only)						
Mineral and prospecting rights	83 970	3 083	80 887	83 969	1 888	82 081
Land, buildings and mine properties	111 581	23 929	87 652	71 023	20 837	50 186
Plant and equipment	545 988	154 539	391 449	496 020	125 929	370 091
Prospecting, exploration and development	312 068	46 841	265 227	245 334	35 025	210 309
Vehicles, furniture and equipment	97 433	60 427	37 006	78 583	51 588	26 995
Leased assets capitalised	770	278	492	1 007	361	646
	1 151 810	289 097	862 713	975 936	235 628	740 308
Other assets (group only)						
Land and buildings	63 507	786	62 721	62 243	398	61 845
Township property	–	–	–	4 915	–	4 915
Plant and equipment	30 442	9 058	21 384	23 680	5 773	17 907
Vehicles, furniture and equipment	15 790	10 410	5 380	13 746	9 955	3 791
Patented technology	4 100	1 002	3 098	3 916	510	3 406
Goodwill	3 880	2 226	1 654	5 896	2 008	3 888
	117 719	23 482	94 237	114 396	18 644	95 752
	1 269 529	312 579	956 950	1 090 332	254 272	836 060

	Cost Opening balance R 000	Cost Acquisitions R 000	Cost Reclassi-fications, impairments and disposals R 000	Accumulated depreciation Opening balance R 000	Accumulated depreciation Current charge R 000	Accumulated depreciation Disposals R 000	Book value 2002 R 000
2. Property, plant and equipment (continued)							
Movement for the year							
Mining assets (group only)							
Mineral and prospecting rights	83 969	2	–	1 888	1 196	–	80 887
Land, buildings and mine properties	71 023	39 272	1 286	20 837	3 092	–	87 652
Plant and equipment	496 020	55 396	(5 428)	125 929	30 939	(2 329)	391 449
Prospecting, exploration and development	245 334	64 026	2 707	35 024	10 410	1 406	265 227
Vehicles, furniture and equipment	78 583	15 489	3 361	51 589	8 610	228	37 006
Leased assets capitalised	1 007	–	(237)	361	154	(237)	492
	975 936	174 185	1 689	235 628	54 401	(932)	862 713
Other assets (group only)							
Land and buildings	62 243	6 770	(5 505)	398	389	–	62 721
Township property	4 915	–	(4 915)	–	–	–	–
Plant and equipment	23 680	6 968	(205)	5 773	3 392	(106)	21 384
Vehicles, furniture and equipment	13 746	3 596	(947)	9 955	1 895	(835)	5 380
Patented technology	3 916	1 596	(1 412)	510	492	–	3 098
Goodwill	5 896	9	–	2 008	2 243	–	1 654
	114 396	18 939	(12 984)	18 644	8 411	(941)	94 237
	1 090 332	193 191	(11 362)	254 272	62 812	(1 873)	956 950

Equipment with a net book value of R491 790 (2001: R646 572) 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 R182 305 (2001: R83 032) in a foreign subsidiary.

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
3. Environmental rehabilitation trust fund				
Balance at beginning of year	11 021	16 363		
Contributions received during the year	1 446	681		
Interest received	362	1 080		
Increase in joint venture shareholding	–	9		
Withdrawals from fund	–	(7 112)		
Balance at end of year	12 829	11 021	–	–
4. Investment in group companies				
Investment in joint venture entity				
(refer note 5 below)				
1 620 214 (2001: 1 620 178) ordinary shares in Assmang Limited				
At cost			60 810	60 784
Market value			1 798 438	972 107
Investment in subsidiary companies				
Shares at cost			2 170	2 170
Current accounts – payable			–	1 984
Loan accounts payable			24 150	–
Total cost			62 980	62 954

Details of the holding company's interest in its subsidiary companies are set out in note 30.

5. Investment in joint venture

Assore Limited has a 45,7% 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.

	Group 2002 R 000	Group 2001 R 000
Income statement		
Revenue	1 220 736	881 725
Turnover	1 282 832	879 534
Profit for the year after taxation and State's share of profits	180 326	105 450
Balance sheet		
Property, plant, equipment and intangibles	857 473	740 776
Environmental rehabilitation trust fund	4 742	3 721
Current assets	609 369	425 136
Current liabilities – interest bearing	263 406	415 417
Current liabilities – non-interest bearing	53 939	78 872
Long-term borrowings – interest bearing	316	1 293
Deferred taxation	168 312	119 103
Long-term provisions	14 245	12 205
Distributable reserves	910 556	536 632

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
5. Investment in joint venture (continued)				
Cash flows				
Cash retained from operating activities	74 228	93 154		
Cash utilised by/(generated) in investing activities	78 467	(284 783)		
Cash (utilised by)/generated in financing activities	(152 997)	198 481		
Cash and cash equivalents	6 793	6 853		
Commitments and contingent liabilities				
Company's interests in future capital expenditure:				
– contracted for	62 562	25 755		
– not contracted for	255 732	359 292		
	318 294	385 047		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 27.				
6. Other investments				
Listed – at market value	178 926	105 369	178 926	105 369
Unlisted – at cost	125	125	125	125
	179 051	105 494	179 051	105 494
Listed – at cost	87 853	56 248	87 853	56 248
Unlisted – at directors' valuation	125	125	125	125
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	172 667	132 117		
Consumable stores	23 118	17 600		
Finished goods	252 545	183 469		
	448 330	333 186	–	–
8. Share capital				
Authorised				
40 000 000 ordinary shares of 2,5 cents each (2001: 40 000 000 ordinary shares of 2,5 cents each)	1 000	1 000	1 000	1 000
Issued				
28 000 000 ordinary shares of 2,5 cents each (2001: 28 000 000 ordinary shares of 2,5 cents each)	700	700	700	700

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
9. Non-distributable reserves				
Foreign currency translation reserve	6 541	3 130	–	–
Arising on the revaluation of listed investments to market value	91 073	49 122	91 073	49 121
Deferred capital gains taxation on revaluation of listed investments	(8 176)	–	(8 176)	
	89 438	52 252	82 897	49 121
10. Deferred taxation				
Raised on the following differences:				
Accelerated capital allowances	182 180	129 153		
Assessed losses utilised	(5 116)	(6 450)		
Provisions	(10 789)	(9 328)		
Prepayments deducted from taxable profit in earlier years	–	2 605		
Valuation of inventories	(1 191)	(563)		
Valuation of investments	8 176	–	8 176	–
Other	1	35		
	173 261	115 452	8 176	–
Movements				
Balance at beginning of year	115 452	84 635	–	–
– Deferred tax assets	16 234	13 104	–	–
– Deferred tax liabilities	131 686	97 739	–	–
	57 809	30 817	8 176	–
Originating/(reversing) temporary difference on assessed loss	1 335	(2 663)	–	–
Originating temporary difference on fixed assets	50 880	32 272	–	–
Temporary differences on provisions made	(1 862)	(1 403)	–	–
Temporary difference on valuation of inventories	(629)	(267)	–	–
Temporary difference on re-valuation of listed investments	8 176	–	8 176	–
Increase in joint venture shareholding	3	287	–	–
Other	(94)	2 591	–	–
Balance at end of year	173 261	115 452	8 176	–
– Deferred tax assets	8 598	16 234	–	–
– Deferred tax liabilities	181 859	131 686	8 176	–

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
11. Long-term provisions				
Provision for decommissioning and restoration	11 135	11 009		
Balance at beginning of year	11 009	11 057		
Increase in joint venture shareholding	–	16		
Amounts claimed from the fund relating to work undertaken	(1 143)	–		
Provision for the year (net of interest earned in fund)	1 269	(64)		
Post-retirement health care benefits (refer note 31)	20 581	17 277		
Balance at beginning of year	17 277	15 326		
Increase in joint venture shareholding	–	19		
Provision for the year	3 304	1 932		
Provision for pension fund	–	–		
Balance at beginning of year	–	4 518		
Provision reversed during the year	–	(4 518)		
Total long-term provisions at end of year	31 716	28 286		
12. Long-term borrowings				
South African long-term borrowings				
Secured loans	462	614	–	–
Finance lease liabilities over fixed assets with a net book value of R491 790 (2001: R646 572) are repayable in varying monthly instalments over 48 months (2001: 48 months) and bear interest at 1% below the prime overdraft rate.				
Foreign long-term borrowings				
Unsecured loans – US$0,09 million (2001: US$0,23 million)	1 053	1 936	–	–
Total long-term borrowings	1 515	2 550	–	–
Less: repayable within one year included in short-term borrowings (refer note 15)	1 199	1 257	–	–
	316	1 293	–	–

12. Long-term borrowings (continued)

Interest rates and loan repayments Group – R 000 2002	Rate of interest %	Total borrowings 2002	2003	Repayable during the year ending 30 June 2004	2005	2006
Secured loans – finance lease liabilities	13%	462	146	119	136	61
Unsecured loans – interest free		1 053	1 053			
		1 515	1 199	119	136	61
		2001	2002	2003	2004	2005
		R 000	R 000	R 000	R 000	R 000
2001						
Secured loans – finance lease liabilities	12%	614	152	192	174	96
Unsecured loans – interest free		1 936	1 105	831	–	–
		2 550	1 257	1 023	174	96

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
13. Accounts payable				
Trade payables	58 314	89 661	32	100
Derivative instruments	–	5 129	–	–
Other payables	10 624	3 386	53	–
	68 938	98 176	85	100
14. Provisions				
Balance at beginning of year	10 371	8 461	–	–
Increase in joint venture shareholding	–	21		
Net movement on provisions for the year	1 485	2 030	–	
Payments made during the year	(1 608)	(141)		
Provisions and accruals at end of year	10 248	10 371	–	–
Made up as follows:				
Provisions				
Leave pay				
Balance at beginning of year	8 310	7 600		
Increase in joint venture shareholding	–	21		
Provisions raised	1 485	830		
Payments made during the year	(1 608)	(141)		
Balance at end of year	8 187	8 310	–	–
Self insurance				
Balance at beginnning of year	2 061	861		
Provisions (reversed)/raised	–	1 200		
Balance at end of year	2 061	2 061	–	–
	10 248	10 371		

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
15. Overdrafts and short-term borrowings				
Borrowings				
Overdrafts	262 207	94 015		
Short-term borrowings	89 995	382 811		
Current portion of long-term borrowings (refer note 12)	1 199	1 257		
	353 401	478 083	–	–
16. Revenue				
Revenue comprises:				
Sale of products	1 514 406	1 146 082		
Technical fees and commissions	62 226	48 082		
Income from investments	14 633	20 412	26 715	14 633
Other revenue	2 311	2 318	60	–
	1 593 576	1 216 894	26 775	14 633
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	4 839	3 622	26 712	15 774
Listed joint venture entity	–	–	21 873	12 152
Other listed investments	4 839	3 622	4 839	3 622
Income from subsidiary companies				
– administration fees			60	40
Interest received	9 794	8 771	2	81
Profit on scrapping of fixed assets	178	–		
Profit on disposal of				
– listed investments	1	7 283	1	6 837
– property, plant and equipment	2 851	2 236	–	–
Realised foreign exchange gains	2 487	15 850	–	–
Expenditure				
Amortisation of intangible assets	492	147	–	–
Auditors' remuneration	2 445	1 550	36	31
Audit fees	2 342	1 512	36	31
Other services	103	38	–	–
Consumables stores written off	184	534		

	Group		Company	
	2002	2001	2002	2001
	R 000	R 000	R 000	R 000
17. Profit before taxation (continued)				
Depreciation of mining assets	54 401	41 127	–	–
Mineral and prospecting rights	1 196	494		
Land, buildings and mining properties	3 092	2 397		
Plant and machinery	30 939	21 117		
Prospecting, exploration and development	10 410	8 072		
Decommissioning asset	–	67		
Vehicles, furniture and equipment	8 610	8 814		
Leased assets capitalised	154	166		
Depreciation of other assets	5 676	6 927	–	–
Land and investment properties	389	389		
Plant and machinery	3 392	4 592		
Vehicles, furniture and equipment	1 895	1 946		
Directors' emoluments (refer note 18)				
Fees paid by the holding company			10 893	8 536
– Executive directors			198	202
– Non-executive directors			35	31
Other emoluments paid by subsidiary companies				
– Executive directors			10 660	8 303
Exploration expenditure	2 510	876	–	–
Fair value adjustment to assets	–	3 074		
Impairment of goodwill	2 242	1 773		
Interest paid	35 207	35 762	–	–
Loss on disposal of fixed assets	3	–	–	–
Loss on scrapping of fixed assets	25	–	–	–
Professional fees	5 131	1 113	–	–
Provision against loan receivable	–	450	–	450
Provision and write off of doubtful debts	386	3 804	–	–
Remuneration for:				
– technical advisory services – subsidiary company	3 172	3 364	–	–
– secretarial, management, adminstrative technical and advisory services	23 364	21 406	139	35
Staff costs				
– salaries and wages	158 613	139 128	–	–
– pension fund contributions	9 995	11 972	–	–
– post retirement health care costs	2 533	5 778	–	–
Unrealised foreign exchange losses	4 398	–	–	–

Year ended 30 June 2002	Directors' fees (refer note1) R000	Salary R000	Bonuses (refer note 2) R000	Other fringe benefits (refer note 3) R000	Contributions to Pension Scheme R000	Total R000
18. Directors' emoluments						
Executive						
D Sacco (Executive Chairman)	60	972	81	162		1 275
R J Carpenter (Deputy Chairman)	46	1 358	1 215	64	241	2 924
C J Cory (Financial)	46	999	1 114	136	183	2 478
P C Crous (Technical)	46	999	1 114	184	183	2 526
Alternate						
J W Lewis		615	756	176	108	1 655
Non-executive						
R A Chute*	2					2
J S de Wet*	2					2
B M Hawksworth	31					31
	233	4 943	4 280	722	715	10 893

*Fees paid to Old Mutual

Notes:

1. Directors' fees for executives include fees receivable from Assmang Limited.
2. Due to the shareholding structure, the company is unable to offer directors remuneration by way of share incentive or option arrangements and bonuses are determined based on results for the year. Directors owning shares in the group do so in their own right and disclosure thereof is made in the directors' report.
3. Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, leave paid out and study loan benefits.

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
19. Exceptional items				
Net profit on disposal of Dwarsrivier platinum group mineral rights	248 278	–	–	–

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
20. Taxation				
South African normal tax				
– current year	65 293	28 945	(6)	44
– prior year underprovision	1 346	639	–	–
State share of profits	13 905	5 631	–	–
Deferred taxation				
– temporary differences	49 629	30 531	–	–
Secondary tax on companies	1 721	1 519	–	–
	131 894	67 265	(6)	44
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.				
The estimated losses which are available for the reduction of future taxable income are available for setoff against the taxable income arising in certain joint venture and subsidiary companies	34 681	38 605		
The estimated unredeemed capital expenditure available for reduction against future taxable income of certain mining operations is available for setoff against the taxable income arising in certain joint venture and subsidiary companies	230 865	57 624		
Reconciliation of tax rate (by %)				
Standard tax rate	30,00	30,00	30,00	30,00
Adjusted for:				
Dividend income	(0,38)	(0,44)	(30,28)	(21,57)
Exempt income	(11,74)	(1,36)	–	(9,35)
Under provisions prior years	0,38	0,31	(0,10)	–
State's share of profits	2,52	(0,83)	–	–
Disallowable expenditure	0,71	0,83	–	0,07
Secondary tax on companies	0,45	3,51	–	–
Other	(1,14)	(0,98)	0,36	1,04
Effective tax rate	20,80	31,04	(0,02)	0,19
21. Dividends				
Ordinary – Paid	16 800	8 960	16 800	8 960
Per share (cents)	60	32	60	32

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000

22. Earnings and headline earnings per share

Calculation of earnings, and headline earnings per share was determined using the following information:

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
Earnings – Net income after taxation and State's share of profits per income statement	501 954	139 042		
Headline earnings				
Earnings as above	501 954	139 042		
Adjusted for:				
Profit on disposal of:				
– property, plant and equipment	(3 029)	(2 236)		
– listed investments	(1)	(7 283)		
Exceptional item	(248 278)	–		
Loss on disposal of:				
Impairment of property	–	3 660		
Provision against loan receivable	–	450		
Impairment of goodwill	2 242	1 773		
Headline earnings	252 888	135 406		
Number of shares in issue	28 000	28 000		
Earnings per share (cents)	1 793	497		
Headline earnings per share (cents)	903	484		

23. Notes to the cash flow statements

23.1 Cash generated/(utilised) by operations

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
Profit before taxation and State's share of profits	634 229	203 860	26 469	21 943
Adjusted for:	(152 193)	71 497	(26 714)	(22 870)
– Dividends received	(4 839)	(3 622)	(26 712)	(15 774)
– Interest received	(9 794)	(8 771)	(2)	(81)
– Profit on scrapping of fixed assets	(178)	–	–	–
– Profit on disposal of property, plant and equipment	(2 851)	(2 236)		
– Profit on disposal of investments	(1)	(7 283)	(1)	(6 837)
– Profit on disposal of platinum group metal mineral rights	(248 278)	–	–	–
– Provision for bad debts and bad debts written off	386	3 804	–	–
– Consumables stores written off	184	534	–	–
– Depreciation on property, plant and equipment	60 077	48 054		
– Loss on disposal of fixed assets	3	–	–	–
– Loss on scrapping of fixed assets	25	–	–	–
– Unrealised foreign exchange losses	4 398	–	–	–
– Interest paid	35 207	35 762	–	–
– Movements in long-term provisions	4 573	(2 650)	–	–
– Movements in short-term provisions and accruals	2 242	2 545	–	–
– Amortisation and impairment of goodwill	2 734	1 920		
– Other non-cash flow items	3 919	3 440	1	(178)
	482 036	275 357	(245)	(927)

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
23. Notes to the cash flow statements (continued)				
23.2 Investment income received				
Dividends receivable at beginning of year	147	–	147	–
Credited to income statements	4 839	3 622	26 712	15 774
Dividends receivable at end of year	(138)	(147)	(138)	(147)
	4 848	3 475	26 721	15 627
23.3 Cash (utilised)/generated by working capital				
Increase in inventories	(109 139)	(24 077)	–	–
(Increase)/decrease in accounts receivable	(126 846)	(22 720)	(151)	3 295
Decrease in amounts owing to group companies	–	–	(1 984)	(2 902)
(Decrease)/increase in accounts payable	(34 447)	(7 799)	(68)	5
Payments on provisions and accruals	(2 751)	(5 605)	–	–
	(273 183)	(60 201)	(2 203)	398
23.4 Taxation paid				
Unpaid at beginning of year	(13 438)	(16 685)	(37)	(41)
Increase in joint venture shareholding	–	(31)	–	–
Charged to income statements	(131 894)	(67 265)	6	(44)
Movement in deferred taxation	49 633	30 530	–	–
Unpaid at end of year	25 943	13 438	1	37
	(69 756)	(40 013)	(30)	(48)
23.5 Dividends paid				
Unpaid at beginning of year	–	–	–	–
Charge for the year	(16 800)	(8 960)	(16 800)	(8 960)
Unpaid at end of year	53	–	53	–
	(16 747)	(8 960)	(16 747)	(8 960)

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
23. Notes to the cash flow statements (continued)				
23.6 Acquisition of joint venture shares				
Purchase price	(26)	(2 944)	(26)	(2 917)
Less: cash in the joint venture	–	1	–	
	(26)	(2 943)	(26)	(2 917)
Represented by:				
Goodwill	(15)	(1 500)		
Deferred taxation	3	287		
Long-term provisions	–	35		
Long-term borrowings	–	5		
Property, plant and equipment	(16)	(1 613)		
Intangible assets	–	(10)		
Environmental rehabilitation trust fund	–	(9)		
Inventories	(5)	(682)		
Accounts receivable	(3)	(435)		
Accounts payable	1	195		
Provisions	–	21		
Taxation	–	31		
Shareholders for dividends	–	26		
Overdrafts and short-term borrowings	9	706		
	(26)	(2 943)	–	-
23.7 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
	–	365	–	365

24. 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.

	2002 R 000	2001 R 000
Foreign debtors at year end (US dollar denominated)	415 983	214 652

Forward exchange contracts at year end

	Principal amount of forward exchange contracts			
	Currency R 000	US$	Average rate ZAR/US$	Maturity date
2002				
Debtors for sales	–	–	–	
2001				
Debtors for sales	68 952	9 132	7.55	10 Jul 01 – 20 Aug 01

Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The group minimises credit risk by evaluating counterparties 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	
	2002 Book value R 000	2002 Fair value R 000	2001 Book value R 000	2001 Fair value R 000
Financial assets (recognised on the balance sheet)				
Trade receivables	320 846	320 846	194 381	194 381
Deposits and cash	84 633	84 633	78 023	78 023
	405 479	405 479	272 404	272 404
Financial liabilities (recognised on the balance sheet)				
Trade and other payables	105 129	105 129	116 856	116 856
Derivative instruments	–	–	5 129	5 129
Overdrafts and short-term borrowings	353 401	353 401	478 083	478 083
Long-term borrowings – local	462	462	614	614
Long-term borrowings – foreign	1 053	1 053	1 936	1 936
	460 045	460 045	602 618	602 618

24. 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 2002					
Cash – financial institutions	–	84 633		Current	Overnight call deposit
Year ended 30 June 2001					
Cash – financial institutions	–	78 023		Current	Overnight call deposit
Financial liabilities					
Year ended 30 June 2002					
Local long-term borrowings					
– Hire purchase agreements	–	316		2005	12,0
Local short-term borrowings					
– Financial institutions	–	257 552		Current	Linked to money market
Foreign short-term borrowings					
– Financial institutions	569	5 838		Current	Linked to LIBOR
	569	263 706			
Year ended 30 June 2001					
Local long-term borrowings					
– Hire purchase agreements	–	463		2005	12,0
Local short-term borrowings					
– Financial institutions	–	370 983		Current	Linked to money market
Foreign short-term borrowings					
– Financial institutions	4 247	34 293		Current	Linked to
– Other	1 256	10 140	30 June 01	31 July 02	LIBOR 5.76%
	5 503	415 879			

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 regularly prepared and reviewed by management.

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
25. Commitments				
Capital				
Expenditure authorised but not contracted for	255 732	359 292		
Expenditure authorised and contracted for	93 181	36 470		
	348 913	395 762	–	–

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.

Other

	2002 US$ 000	2001 US$ 000	2002 R 000	2001 R 000
Forward commitments entered into by a foreign subsidiary with regard to its inventory of ores, alloys and metals:				
Purchases	3 200	1 200	32 736	12 276
Sales	9 500	4 700	97 185	48 081

26. Borrowing capacity

	2002 R 000	2001 R 000	2002 R 000	2001 R 000
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	971 366	534 643		
External borrowings at year end				
– long-term borrowings	316	1 293		
– overdrafts and short-term	353 401	478 083		
	353 717	479 376		

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
27. Contingent liabilities				
Holding company guarantees issued to bankers as security for facilities provided to subsidiary companies	267 339	118 988	267 339	118 988
Performance guarantee issued to a customer by a subsidiary company	4 858	–	–	–
	272 197	118 988	267 339	118 988

The holding company has also issued gurantees to bankers to secure a short-term export finance agreement facility of R180 million (2001: R180 million). The facility is utilised for and on behalf of a principal in which the group holds a 45,7% interest and which in turn has provided a back-to-back guarantee against any claims made by bankers in terms of this facility

28. 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 2002 R 000	Group revenue by segment 2001 R 000	Group debtors by segment 2002 R 000	Group debtors by segment 2001 R 000
Customers by location				
South Africa	208 614	167 157	123 295	59 193
Europe	386 722	267 094	25 870	44 323
USA	409 257	376 078	158 734	83 055
Far East	588 983	406 565	12 947	7 810
	1 593 576	1 216 894	320 846	194 381

	Group 2002 R 000	Group 2001 R 000	Company 2002 R 000	Company 2001 R 000
29. 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;				
Joint venture company				
Assmang Limited				
– commissions received	50 843	35 204		
– amounts receivable from related party transactions at year end amounted to	24 425	27 631		
– amounts payable to related parties at year end amounted to	32 482	26 222		
Foreign subsidiary				
Minerais U.S. LLC				
– commissions received	9 859	4 371		
– amounts receivable from related party transactions at year end amounted to	14 277	16 344		

	Issued share capital 2002 R	Issued share capital 2001 R	Direct interest in share capital 2002 %	Direct interest in share capital 2001 %	Shares at cost 2002 R 000	Shares at cost 2001 R 000	Amounts due by/(to) subsidiary companies 2002 R 000	Amounts due by/(to) subsidiary companies 2001 R 000
30. 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	24 150	(1 894)
Ceramox (Proprietary) Limited	100	100	75	75	724	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)
Rustenburg Minerals Development Company (Proprietary) Limited	130 000	130 000	100	100	130	130		
Wonderstone Limited	10 000	10 000	100	100	10	10	–	(95)
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		

	Issued share capital 2002 R	Issued share capital 2001 R	Direct interest in share capital 2002 %	Direct interest in share capital 2001 %	Shares at cost 2002 R 000	Shares at cost 2001 R 000	Amounts due by/(to) subsidiary companies 2002 R 000	Amounts due by/(to) subsidiary companies 2001 R 000
30. Interest of holding company in its subsidiary companies (continued)								
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	14 737		
Less – held indirectly					(11 453)	(11 453)		
– provided against					(1 114)	(1 114)		
Per note 4					2 170	2 170	24 150	(1 984)

31. Retirement benefit information

31.1 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 2002.

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 has been reduced to a closed pension liability 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 the date of the last actuarial valuations which would materially affect the financial position of the fund which at 30 June 2002 was follows

	Fund 1 R 000	Fund 2 R 000
Actuarial present value of assets	64 549	3 090
Actuarial present value of liabilities	63 631	3 090
	918	–
Funding level	101%	100%

31. Retirement benefit information (continued)

31.1 Pensions (continued)

Contributions to the funds by the group which were expensed amounted to R3 870 569 (2001: R4 904 726).

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.

Contributions during the year amounted to R3 870 569 (2001: R4 904 726).

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 R6 124 766 (2001: R7 067 091).

31.2 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.

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 R13 155 317 (2001: R10 729 550), 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 286 763 (2001: R5 777 752).

31. 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 second Annual General Meeting of Assore Limited will be held at 15 Fricker Road, Illovo Boulevard, Johannesburg on 29 November 2002 at 10h30 for the following purposes:

– To receive and consider the annual financial statements for the year ended 30 June 2002.

– 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
11 September 2002

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, 29 November 2002 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 ______________________________ 2002

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 Investor 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, 27 November 2002.