



ANNUAL REPORT **2003**

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*Tapping the new 56 MVA furnace at Machadodorp*





## PROFILE

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*Assore Limited is a mining holding company engaged principally in ventures involving base minerals and metals. The group, through its various joint venture entities and subsidiary companies, is 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.*



## DIRECTORS AND CORPORATE INFORMATION

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Chris Cory

Desmond Sacco

Phil Crous

Bob Carpenter

### Executive directors

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

### Non-executive directors

R A Chute\*  
B M Hawkworth\*†#  
Dr J C van der Horst\*†#

### Alternate director

J W Lewis (*British*)

\*Member of the Audit Committee

#Member of the Remuneration Committee

†Independent

### 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 Limited  
Investor Services Division  
70 Marshall Street  
Johannesburg 2001

### Attorneys

Deney's 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

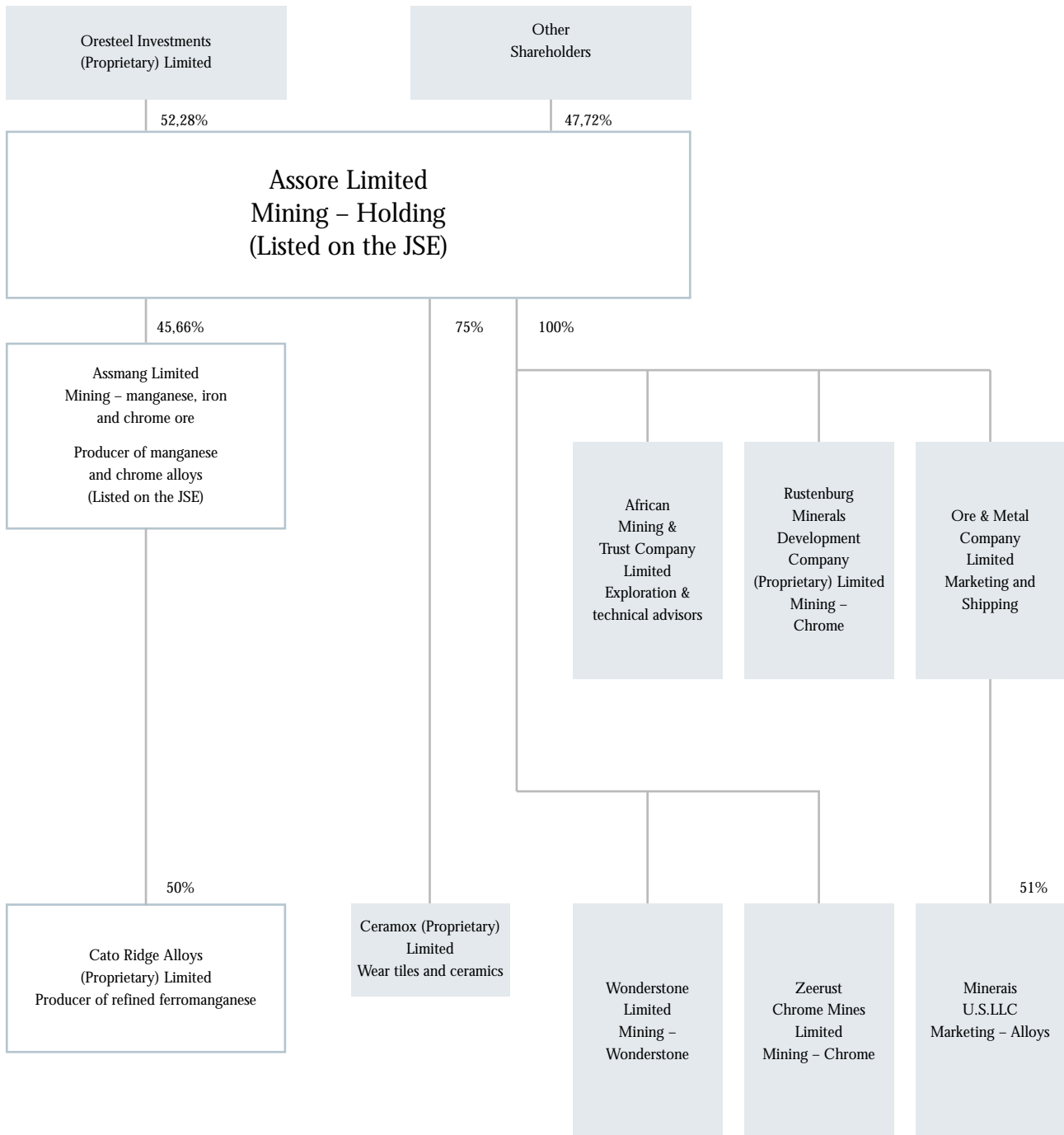
### Bankers

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

### Corporate information

Company registration number: 1950/037394/06  
Incorporated in South Africa

GROUP STRUCTURE OF OPERATING COMPANIES



*Underground at Nchwaning*



## CHAIRMAN'S STATEMENT

### THE YEAR UNDER REVIEW

The scenario, which was outlined in my previous report to shareholders as being most likely to occur in the 2002/2003 financial year, has largely unfolded. It shows that operational activities in the markets in which Assore trades were favourable, but that they were effectively offset by the firming of the exchange rate of the SA rand against the US dollar.

Highlighting these trends are an 8,2% increase in world steel production in the first half of 2003, which lifted iron ore and manganese ore sales, and a countering drop in the average US dollar-SA rand exchange rate realised on exports from R10,12 in the 2002 year to R8,97 in the 2003 year.

While a number of potentially far-reaching events took place during the year, notably the conflict in Iraq, the direct effects on Assore's business proved to be largely peripheral. However, these events may well have contributed towards weakness in the dollar which, as mentioned, significantly influenced the groups results for the year.

### SALES VOLUMES

The primary business of the Assore group remains its 45,66% holding in Assmang Limited (Assmang), which it jointly controls with Anglovaal Mining Limited. Assore partially consolidates the income derived and also acts as marketing agent and technical adviser for Assmang.

Assmang enjoyed another good year with production and sales volumes increasing and product prices in US dollars improving in most of the principal sectors concerned.

Volumes of product sold on behalf of Assmang over the financial year were as follows:

	2003 '000 metric tons	2002 '000 metric tons
Iron ore	5 263	4 775
Manganese ore (excluding transfers to Cato Ridge Works)	1 171	993
Manganese alloys	206	197
Charge chrome	244	190

### RESULTS

The increased sales and improved US dollar prices earned are reflected by a 15,8% rise in group turnover to R1,75 billion. Similarly, the decline in the rand earnings against the dollar adversely affected margins and operating profit declined by 44,8% to R224,5 million.

Headline earnings decreased by 46,6% to R135,2 million, equivalent to 483 cents a share, while attributable earnings were down by 72,8%, largely due to the exceptional income of R248,3 million earned in the previous year from the sale of the Dwarsrivier Platinum Group Metals (PGM) mineral rights.

### CAPITAL EXPENDITURE

Capital expenditure, which focused primarily on the completion of the new shaft complex at Nchwaning manganese mine, exceeded R338,0 million (2002: R372,0 million) during the year under review. The shaft is scheduled for completion during May 2004, at a total estimated cost of R634 million, excluding capitalised interest. Over the past five years, Assmang has invested R2,1 billion in various capital projects affecting each of its commodities.

### BORROWINGS

Interest bearing debt decreased marginally to R308,6 million (2002: R353,4 million) and is well within the group's borrowing limits.

### CORPORATE PROGRAMMES

The group maintains its focus on supporting the economic and social development of all the communities in which it operates. The long-term programme, developed in consultation with such communities, targets education and life skills training, environmental awareness and health care in particular and contributes significantly towards these goals.

### OUTLOOK

The demand for the group's products remains fairly buoyant and tonnages in the 2003/2004 year appear likely to be similar to those of the previous financial year.

US dollar prices for both iron ore and manganese ore have already risen, and the demand and US dollar prices for manganese alloys should remain steady.



## CHAIRMAN'S STATEMENT

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Ferrocchrome prices, which have been disappointing in the past, are improving significantly with a rise of some 50% over the past year. The price is closely linked to global stainless steel production, which has shown good growth over the same period. Opportunities are likely to arise as a result of improvement in both prices and volumes of ferrocchrome in the forthcoming year.

Overall, the markets in which the group trades appear likely to remain basically healthy over the forthcoming financial year. However, the exposure faced by all South African resources companies, selling their products in US dollars and repatriating the funds in rands should be borne in mind.

At the time of writing, the rand is at the strongest level it has been for several years. The traditional cyclical pattern of all markets, coupled with the fact that South Africa's inflation rate remains persistently above that of its principal trading partners, suggests that the exchange rate will see a reversal at some stage, but when that will be remains a matter for informed speculation.

### NORTHERN CAPE IRON ORE ASSETS

The management of Assmang has committed itself to exploring various expansion scenarios in relation to its iron ore assets in the Northern Cape. A heads of agreement has been entered into with Kumba Resources Limited for the purpose of exchanging technical information and evaluating certain of these expansion possibilities. Assore, as a joint partner in the control of Assmang has committed itself to this process.

### MINERAL RIGHTS

The new Mineral and Petroleum Resources Development Act No. 28 was approved by Parliament in 2002 but still awaits assent by the President to become effective. A key objective of the Act is that the State would 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 Act also provides for a Socio-Economic Empowerment Charter, which has been issued by the Department of Minerals and Energy. The Charter *inter alia* sets 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, Departments of Minerals and Energy, and Trade and Industry as well as other interested parties such as the industry's labour movement, the group will be successful in the required transformation.

Linked to the Act, and still to be finally 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.

### DIVIDENDS

An interim dividend of 25 cents (2002: 40 cents) per share was declared and paid during the year and a final dividend of 25 cents (2002: 40 cents) per share was declared payable to shareholders on 13 October 2003. Both dividends were affected by the lower earnings for the year and are not comparable with the previous year, which included an exceptional distribution of the surplus realised on the disposal of the PGM mineral rights.

### APPRECIATION

It is notable that operational performance during the year was again commendable and that only the currency exchange rate, in which management and staff could bring little influence to bear, countered this. I express my, and the board's, appreciation for this commitment and I thank my co-directors for their continuing contribution. To our customers, suppliers, advisors and consultants and the many public sector agencies with which we relate, our thanks for their support.

**Desmond Sacco**

*Chairman*

*Inspection of loading at Dwarsrivier Chrome Mine*

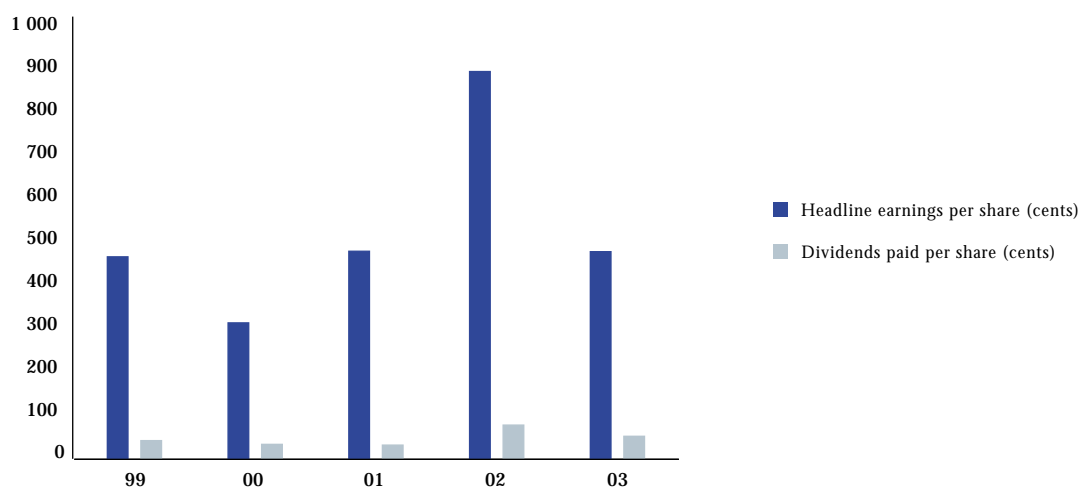


## FIVE YEAR SUMMARY

### of the consolidated financial statements

Income Statements	1999 R 000	2000 R 000	2001 R 000	2002 R 000	2003 R 000
Turnover	820 213	963 614	1 146 082	1 514 406	1 753 027
Net profit before exceptional item	196 130	143 315	203 860	385 951	217 859
Exceptional item	–	–	–	248 278	–
Taxation and State's share of profits	63 075	52 248	67 265	131 894	76 414
Net profit after taxation and State's share of profits (Profit)/loss attributable to minority interests	133 055 –	91 067 (1 476)	136 595 2 447	502 335 (381)	141 445 (5 073)
Net profit for the year	133 055	89 591	139 042	501 954	136 372
Dividends declared	8 400	11 200	8 960	16 800	18 200
Retained profit for the year	124 655	78 391	130 082	485 154	118 172
Number of ordinary shares in issue ('000)	28 000	28 000	28 000	28 000	28 000
Earnings per share (cents)	475	320	497	1 793	487
Headline earnings per share (cents)	471	317	484	903	483
Dividends per share paid to shareholders (cents)					
– Interim	10	10	12	40	25
– Final	30	20	20	40	25
	40	30	32	80	50
Average exchange rates for the year					
SA Rand to US\$	6,07	6,34	7,59	10,12	9,00
SA Rand to Euro	6,71	6,33	6,78	9,06	9,37

### Headline earnings and dividends paid per share (cents)

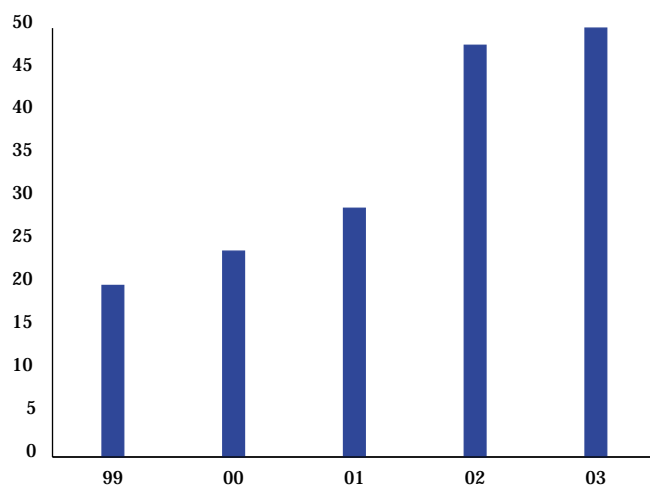


## FIVE YEAR SUMMARY

### of the consolidated financial statements

Balance Sheets	1999 R 000	2000 R 000	2001 R 000	2002 R 000	2003 R 000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant, equipment and intangibles	377 805	569 313	836 060	956 950	1 056 281
Environmental rehabilitation trust funds	18 785	16 363	11 021	12 829	12 547
Investments	50 834	70 658	105 494	179 051	147 152
	447 424	656 334	952 575	1 148 830	1 215 980
<b>Current assets</b>					
Cash resources	101 865	84 017	78 023	84 633	96 623
Other current assets	330 972	488 090	527 567	769 176	827 341
<b>TOTAL ASSETS</b>	<b>880 261</b>	<b>1 228 441</b>	<b>1 558 165</b>	<b>2 002 639</b>	<b>2 139 944</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Share capital and reserves</b>					
Ordinary shareholders' interest	549 831	654 421	802 680	1 325 020	1 382 513
Minority shareholders' interest	–	11 712	10 386	13 796	12 701
<b>Shareholders' equity</b>	<b>549 831</b>	<b>666 133</b>	<b>813 066</b>	<b>1 338 816</b>	<b>1 395 214</b>
<b>Non-current liabilities</b>					
Deferred taxation	59 620	84 635	115 452	173 261	198 251
Long-term liabilities	26 874	32 572	29 579	32 032	34 865
	636 325	783 340	958 097	1 544 109	1 628 330
<b>Current liabilities</b>					
Non-interest bearing	105 074	135 875	121 985	105 129	202 992
Interest bearing	138 862	309 226	478 083	353 401	308 622
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>880 261</b>	<b>1 228 441</b>	<b>1 558 165</b>	<b>2 002 639</b>	<b>2 139 944</b>
Net asset value per share (rand)	20	24	29	48	50
Exchange rates at year end					
SA Rand to US\$	5,92	6,89	7,93	10,23	7,46
SA Rand to Euro	6,22	6,49	6,79	10,17	8,64

### Net asset value per share (Rand)



The Assore board believes that strong corporate governance not only enhances sustainable control of an organisation but is essential to preserving areas such as organisational reputation, investor confidence, access to capital, when required, and sustainable employee motivation. Consequently the Assore group subscribes, in all its activities, to a policy of best practice in business management and corporate governance for South African companies, which it implements in accordance with the following three dimensional framework:

- Installing a risk and control environment within the business where management is responsible for identifying, quantifying and managing risks to achieve the organisation's objectives;
- Creating an assurance process which provides executive management, through the Audit Committee, with assurance over the adequacy of internal control within the organisation, i.e. that the risk and control environment is in place, is working as intended, and is appropriate for the business; and
- Establishing a challenge process to identify the effectiveness of both the risk management environment and the assurance processes. This is generally the role of the internal audit function and other independent assurance providers used on a consultancy basis.

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.

The group's practices are already in line with most of the requirements of these reports and ongoing consideration will be given to those practices recommended in the King II Report which have not yet been implemented by the group. Where it is not possible or it is impractical for the group to comply with the recommendations, the instances are referred to in this report and mention is made of the alternative procedures which the board has agreed to implement.

### BOARD OF DIRECTORS

#### Composition

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

Of the three non-executive directors Mr R Chute represents the Old Mutual Life Assurance Company (South Africa) Limited (Old Mutual), which has a significant interest in the group. The other two non-executive directors are regarded as independent and hold directorships in other listed and unlisted companies.

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 director representing Old Mutual, is paid over to his employer.

The four executive directors are Messrs Desmond Sacco (Chairman 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 is 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 appoint a non-executive chairman, the current position of Chairman being an executive one.

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 24 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. A brief *curriculum vitae* of each director standing for election or re-election is included in the Notice of the Meeting at which the motion/s will be considered.

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.



## CORPORATE GOVERNANCE REPORT

The Board met on four occasions in the past year under review and attendance at these meetings was as follows:

	Possible	Attended	
D Sacco	4	3	
R J Carpenter	4	3	
C J Cory	4	4	
P C Crous	4	2	
B M Hawsworth	4	4	
R Chute	4	4	
Dr J C van der Horst	2	2	Appointed 2 January 2003
J S de Wet	1	1	Resigned 30 September 2002
J W Lewis	1	1	Alternate to R J Carpenter

### Audit Committee

Members:

B M Hawsworth (Chair)

R A Chute

Dr J C van der Horst

C J Cory

The Audit Committee is a subcommittee of the Board which is established in terms of a Charter setting out its duties and responsibilities which are reviewed on an annual basis for effectiveness and appropriateness.

The majority of the members of the Audit Committee, including the Chairman (who will make himself available to take questions at the AGM), are non-executive directors and the Committee meets at least three times per annum. 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.

Representatives of the internal and external auditors are invited to attend meetings of the Committee and, if necessary, have direct access to the Chairman of the Committee at all times during the year.

### Remuneration Committee

Members:

B M Hawsworth (Chair)

Desmond Sacco

Dr J C van der Horst

The majority of the members are non-executive directors, including the Chairman, and the Committee meets at least once a year for the annual salary review purposes. In making recommendations to the Board for approval of the broad framework and cost of executive remuneration, the Committee is required to determine:

- The group's general policy on executive remuneration;
- Specific remuneration packages for executive directors;
- Criteria suitable to account for the performances of executive directors if required.

Remuneration of other employees of the group is determined annually by the executive directors, in conjunction with the human resources department.

### Insider trading and closed periods

The group operates a closed period prior to the publication of its interim and final results. During this period directors, officers and designated persons who may have access to price sensitive information, are precluded from dealing in the shares of the group. The closed period extends from the 15th of the month following the end of a financial reporting period and expires on the day on which the results are published. Where appropriate, dealing is also restricted during sensitive periods where major transactions are being negotiated and a public announcement is imminent.

### RISK MANAGEMENT

Risk is an everpresent feature of business, but in the mining industry it exists particularly as a result of the remote locations of operations, the danger inherent in the day to day activities of mining and smelting operations, and the volume of legislation with which the industry has to comply. The most prominent financial risks to which the group is exposed, namely exchange rates and world commodity prices, are to a large extent outside of the Board's control.

Group risk management is achieved through the identification and control of all significant business risks including operational risks, which could adversely affect the achievements of the group's business objectives.

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, mining as well as environmental risk to monitor whether its practices meet the set criteria and are being maintained. The risk management committees are also responsible for ensuring that appropriate financial and insurance mechanisms comprehensively protect the group against catastrophic risk.

In addition, the group risk management process includes ongoing review of compliance with legislation in the areas of environmental rehabilitation, health and safety, and human resource management. This review is undertaken in conjunction with independent, specialist consultants and subjected to regular compliance audits. Reports, emanating from these independent reviews, are tabled at the Audit Committee where progress is monitored and issues raised at Board level if considered appropriate.

### HEALTH, SAFETY AND ENVIRONMENT

#### Health

The HIV/AIDS pandemic is without doubt the most important health concern for all businesses in South Africa. It not only affects the productivity of all operations through illness, absenteeism and ultimately death, but also has an effect on the social environment of employees, their families and their communities.

Each of the larger operations in the group has devised a comprehensive strategy to control the impact of the disease on its operations and on its global competitiveness, and to provide humanitarian support to its employees and their families.

Current policies include, *inter alia*, the education of the work force in terms of HIV/AIDS by way of an extensive education programme. This programme has also been taken to the schools and other institutions within the rural areas of the operating divisions. Regular surveys are also conducted to measure changing attitudes towards HIV/AIDS and voluntary education also takes place.

In addition, the Group continues to work closely with organisations collaborating with the Centre for International Health at Boston

University. Risk and prevalence surveys at various group operations have been conducted and have provided the group with a statistically viable measurement of the HIV/AIDS prevalence stratified into age, job skill, division and area categories. They have also provided a baseline for assessing any future growth of the epidemic and the effectiveness of future HIV/AIDS prevention efforts using strategic plans for each operation, which include two basic thrusts:

- The prevention of future infection;
- Support systems for affected employees, which are structured around counselling services and health care services.

#### Safety

Employees undergo stringent safety training on procedures, use of equipment and operation of machinery and furnaces. Attention is focused on supervision and direction in reducing workplace accidents, fatalities and occupational health and hygiene-related incidents through the application of regular measurement against legislated or regulatory requirements, reviews of accidents and current industry and international best practices.

#### Environment

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:

- 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 through 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 Department of Minerals and Energy 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 Minerals and Energy. 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.

### INTERNAL AUDIT AND INTERNAL CONTROL

The Board is accountable for the implementation of appropriate internal controls, which are reviewed regularly for effectiveness. These controls are designed to manage, rather than eliminate, the risk of failure, and provide reasonable, but not absolute, assurance that there is an adequate system of internal control in place.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to the Audit Committee, the directors and management. Corrective action is taken to address control deficiencies as and when they are identified. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

An internal audit function has been established making use, on an outsourced basis, of the specialised services offered by the group's external auditors. The independence of the internal audit function is reviewed on an ongoing basis *vis-à-vis* its relationship with the external auditors.

A risk review has been undertaken of the group's activities and areas are selected based on a relative risk basis, which are summarised each year in a programme of internal risk reviews. Reports on findings are

submitted to the Audit Committee on an ongoing basis for its consideration and implementation of the recommendations made to improve internal control.

Representatives of the internal audit team are invited to attend Audit Committee meetings and, where areas of new risk are identified, separate independent investigations take place on an *ad hoc* basis in addition to the programmed reviews referred to above.

### EMPLOYEE PARTICIPATION AND SOCIAL INVESTMENT

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.

The group is committed to promoting respect for the dignity of the individual, the maintenance of fair employment 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 is made to a wide range of educational institutions ranging from self-help programmes and adult literacy training to financial assistance for study at 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.

### EMPLOYMENT EQUITY

The Employment Equity Act imposes obligations *inter alia* on all companies to meet certain employment quotas with regard to certain employee groups which are designated by the Act.

The Board is of the view that the advancement of new and existing employees by means of employment equity can only succeed if this forms part of carefully managed succession and workforce plans which do not compromise the high standards of efficiency which the Group seeks to attain.



Employment equity plans and reports for each operation have been presented to the Department of Labour in accordance with legal requirements. These reports were developed in consultation with the recognised unions and other employees at each of the operations. An employment equity committee, representing management and employees, exists at each of the operations and progress in implementing the equity plans and revising targets is monitored on a regular basis.

The following equity principles have been employed in formulating the policies referred to above:

- To ensure no unfair discrimination in employment;
- To treat all persons equally, fairly, with dignity and respect;
- To achieve a diverse, efficient workforce which aims to be equitably representative of the population in its operational areas;
- To create opportunities for, and remove barriers to, human resource development;
- To involve employees and their representatives in employment equity matters;
- To comply with legislative requirements;
- To be an effective corporate partner of communities, government and other social stakeholders.

The development of skills is a critical issue, which is being implemented rapidly and yet thoroughly at each operation in order to address the widening gap between the supply of, and demand for, skilled labour.

### **CODE OF ETHICS, RESPONSIBILITIES TO STAKEHOLDERS AND SUSTAINABLE DEVELOPMENT**

The Group has not developed a comprehensive Code of Ethics but the following principles have been adopted to guide various aspects of corporate behaviour to ensure the Group remains committed to the highest standards of integrity in dealing with its stakeholders and developing its business activities in a sustainable way:

### **Investors**

Our primary responsibility is to our shareholders, whose interests can only be served on a sustainable basis by dealing properly with all stakeholders.

We are committed to full compliance with relevant laws and rules, good corporate governance, transparency and fair dealing.

### **Employees**

We aim to employ the most appropriately skilled individuals and to invest in their development in a non-discriminatory environment.

### **Communities**

We aim to promote strong relationships with, and raise the capacities of the communities of which we are a part.

### **Customers and business partners**

We seek mutually beneficial long term relationships with our customers, business partners, contractors and suppliers based on fair and ethical practices.

### **Governmental bodies**

We respect the laws of the countries in which we operate, while seeking to observe within our operations the universal standards promulgated by leading inter-governmental organisations.

### **Non-governmental organisations**

We aim for constructive relations with relevant non-governmental organisations.

*Surveying in Beeshoek Iron Ore Mine*



## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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The annual financial statements were approved by the board of directors on 25 August 2003 and signed on its behalf by:

**Desmond Sacco**

*Chairman*

**R J Carpenter**

*Deputy Chairman*

### CERTIFICATE BY COMPANY SECRETARY

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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

25 August 2003

### REPORT OF INDEPENDENT AUDITORS

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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 17 to 58 for the year ended 30 June 2003. 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 2003 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

25 August 2003

## DIRECTORS' REPORT

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### 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 45,66% 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' below.

### FINANCIAL RESULTS

The financial results of the group for the year ended 30 June 2003 are summarised below:

	2003 R 000	2002 R 000
Turnover	1 753 027	1 514 406
Net profit after taxation and before exceptional item	141 445	254 057
Exceptional item	-	248 278
	141 445	502 335
Minority shareholder's interest of profit	5 073	381
	136 372	501 954
Dividends declared	18 200	16 800
Retained profit for the year	118 172	485 154

### 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 16, 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.

### REVIEW OF OPERATIONS

The activities of the group were conducted through its jointly controlled entities and subsidiary companies. Details of the investment in its jointly controlled entity, and subsidiary companies are set out on page 38 of this report.



*190 ton haul truck in Beeshoek Iron Ore Mine*



## DIRECTORS' REPORT

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

	2003 R 000	2002 R 000
Mining and beneficiation	93 079	450 483
Marketing and shipping	38 537	28 889
Other	11 829	24 534
Consolidation adjustments	(7 073)	(1 952)
	<b>136 372</b>	<b>501 954</b>

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

	2003 R 000	2002 R 000
Subsidiary companies		
– Profit	42 738	47 802
– Losses	6 287	921
Jointly controlled entity (45,66% share)		
– Profit from operations	93 079	202 000
– Exceptional item	–	248 278
– Net profit	<b>93 079</b>	<b>450 278</b>

### Mining and beneficiation

Manganese ore and alloys. 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

	2003 '000 metric tons	2002 '000 metric tons
Manganese ore (excluding deliveries to Cato Ridge Works)	<b>1 171</b>	993
Manganese alloys	<b>206</b>	197

World steel production increased by 3,64% to approximately 935 million tons in the year to June 2003 resulting in increased tonnages for both manganese ore and alloys as indicated above.

The increase in manganese alloy tonnage was also made possible by the higher production levels achieved at Cato Ridge Works. Of the total alloy production, high carbon ferromanganese reduced by 15 000 tons on the previous year to 127 000 tons due to increased transfers of molten metal for the production of refined ferromanganese. Sales of refined ferromanganese increased to 45 000 tons (2002: 32 000 tons) and silico manganese tonnage improved as a result of higher production volumes to 25 000 tons (2002: 13 000 tons).

Despite the higher tonnages achieved and consistent dollar prices across the year, the contribution of this division to the earnings of Assore for the year were significantly lower at R130,5 million (2002: R158,5 million) due to the strengthening US dollar/SA Rand rate particularly towards the end of the financial year.

Capital expenditure in this division was incurred mainly on the new shaft complex at Nchwaning manganese mine which is scheduled for completion in May next year at a total estimated cost of R634 million.

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 5,3 million tons (2002 4,8 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 decreased significantly due to the stronger exchange rate and as a result the contribution to Assore's earnings for the year was lower at R24,5 million (2002 : R61,7 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. Although the new 54 MVA furnace is still not operating at optimum capacity, corrective action is being taken on

## DIRECTORS' REPORT

identified problem areas and sales tonnage increased by almost 30% as indicated below:

Sales volumes for the year:

	2003 '000 metric tons	2002 '000 metric tons
Chrome ore (excluding deliveries to Machadodorp works)	20	39
Charge chrome	244	190

US dollar prices also increased by some 50% on the previous year due to the strengthening of the South African exchange rate and low charge chrome stocks worldwide. Although the price increases occurred across the four quarters they were off a low base and were insufficient to prevent the division contributing a loss to Assore's earnings for the year of R62,0 million (2002: R17,8 million loss).

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 282 743 tons (2002: 122 507 tons) of run of mine, lumpy and concentrate were produced during the year which resulted in a profit of R4,6 million (2002: R5,1 million). As the mine is operated with the use of contractors, capex was negligible.

The group also owns a chrome mine in the Northern Province near Zeerust (Zeerust Chrome Mines Limited) which, due to the weak ferrochrome prices, was not operational during the year. 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 outside 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, sales of 363,6 tons (2002: 1 500 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 significantly to R18,3 million (2002: R36,2 million), mainly due 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, the company reflected an operating loss of R2,3 million (2002: R18,2 million profit) for the year under review.

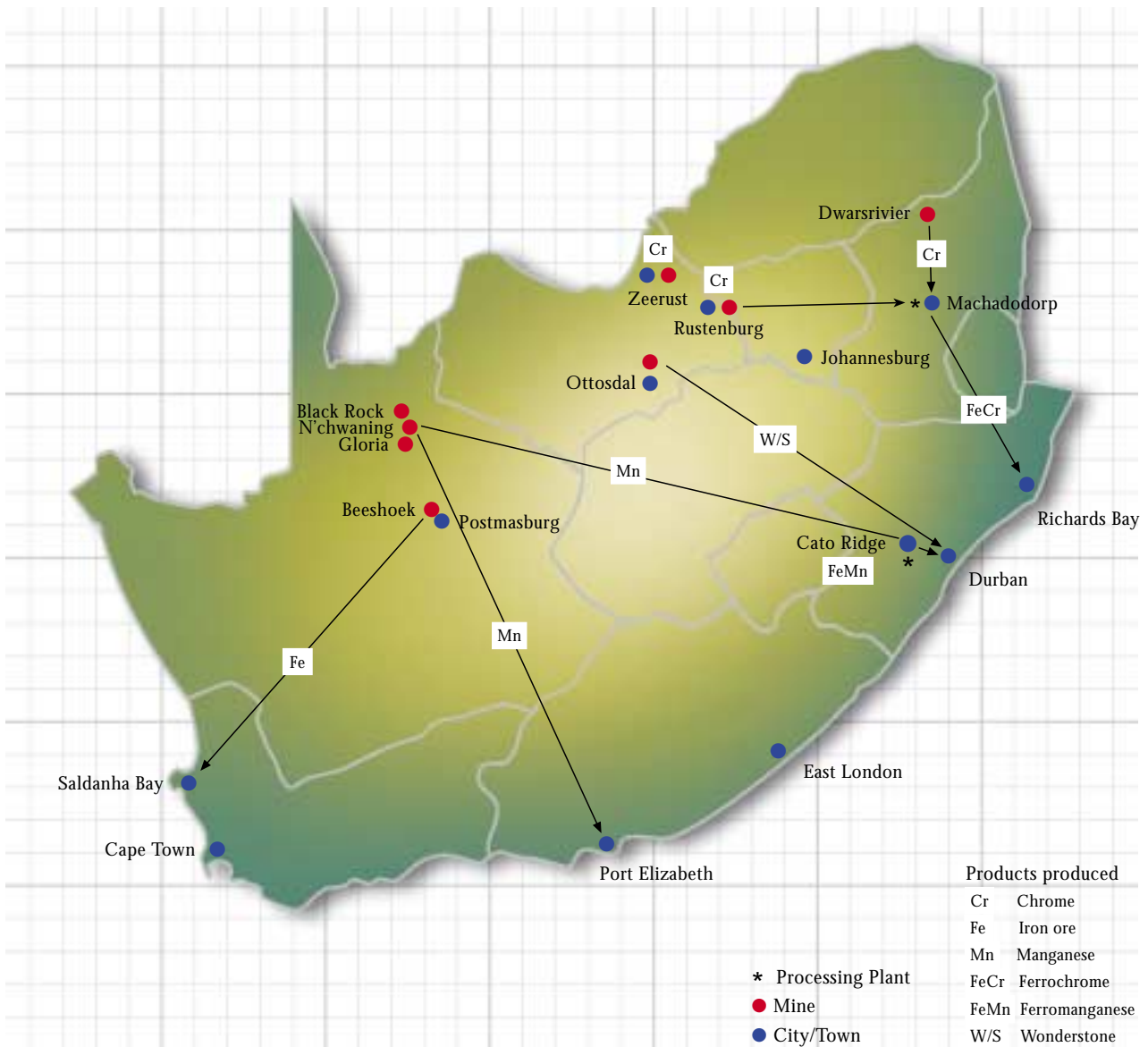
Both the mine and its manufacturing operations have been awarded ISO 9001:2000 accreditation with the mine also receiving ISO 14001 accreditation.

Capital expenditure for the year amounted to R2,6 million, (2002: R7,2 million), most of which was spent on the expansion of manufacturing operations.

Synthetic diamond production. A small number of sales were concluded during the year, but the main focus remains on process development work and the installation of the second press.

Process development work has resulted in a significant improvement in the quality of finished product and the second press has been installed at an estimated cost of R31,2 million and was scheduled for commissioning early in the new financial year. As the division was still not fully operational, a loss for the year was incurred of

Location of operations





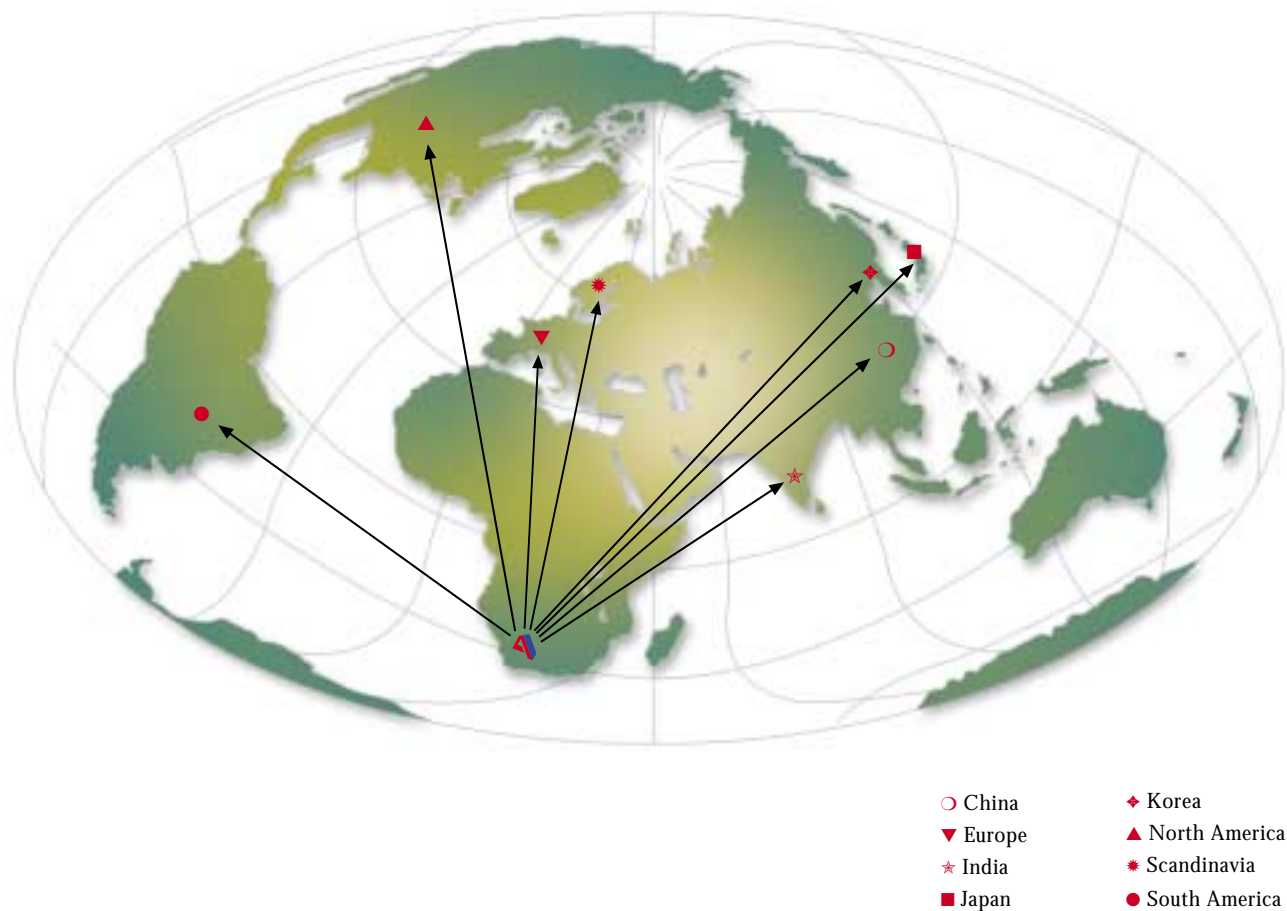
R8,5 million (2002: R10,1 million loss). Management believe that the quality of production which could be achieved on a sustainable basis by both presses would be competitive in the higher end of the market and it is planned to increase sales significantly during the forthcoming year.

**Marketing, 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 (2002: R2,8 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 65 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.

**Export Destinations**



## DIRECTORS' REPORT

**Minerais U.S.LLC** The group holds 51% in Minerais (U.S.) LLC (Minerais) which is a limited liability company registered in the state of New Jersey in the United States of America (USA). Minerais is responsible for marketing and sales administration of the group's products in the USA, in particular manganese and chrome alloys, and trades in various commodities related to the steel making industry. The company made a profit of R10,2 million (2002: R1,3 million) for the year, benefiting from increased turnovers and expansion in existing product markets.

African Mining and Trust Company Limited is technical adviser to Assmang and other group companies for which it receives fee income. As fee income is based on the levels of activity of its joint venture and fellow subsidiary companies, both turnover and net income after taxation decreased 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 R32,2 million (2002: R31,6 million) was invested in the portfolio and disposals which realised R6,4 million (2002: nil), comprising mainly odd-lots and smaller holdings mainly 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 net of any capital gains tax which would arise on eventual disposal. At year end the market value of the portfolio was R147,0 million (2002: R178,9 million) based on a cost of R116,5 million (2002: R87,9 million). Dividends received for the year were R5,5 million (2002: R4,8 million) and the profit on the disposals referred to above was R3.0 million (2002: Nil).

Net profit on investments also includes interest received of R13,3 million (2002: R9,8 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 45,66% (2002: 45,66%) 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 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 2003. The calculation of attributable earnings for consolidation purposes was based on the earnings of Assmang for the year ended 30 June 2003 and dividends declared up to 30 June 2003.

### Abridged consolidated income statement of Assmang

	Year ended 30 June 2003 R 000	Year ended 30 June 2002 R 000
Turnover	2 904 483	2 809 352
Profit before exceptional item	333 727	689 732
Exceptional item	–	543 720
Profit before taxation and State's share of profit	333 727	1 233 452
Taxation and State's share of profit	129 888	246 911
Earnings	203 839	986 541
Dividends declared	42 578	47 901
Retained profit for the year	161 261	938 640
Earnings per share (rands)		
– attributable	57,45	278,04
– headline	57,45	124,67
Dividends paid per share (rands)		
– interim	5,00	8,50
– final	5,00	7,00
	10,00	15,50

### Abridged consolidated balance sheet of Assmang

	At 30 June 2003 R 000	At 30 June 2002 R 000
Assets		
Non-current assets	2 097 272	1 899 422
Current assets	1 529 414	1 439 226
Total assets	3 626 686	3 338 648
Equity and liabilities		
Shareholders' funds	2 288 515	2 127 254
Non-current liabilities	483 616	411 690
Current liabilities		
– interest bearing	524 036	576 849
– non-interest bearing	330 519	222 855
Total equity and liabilities	3 626 686	3 338 648
Number of ordinary shares in issue (thousands)	3 548	3 548
Capital expenditure (Rm)	338	372
Capital commitments (Rm)	342	697

## DIRECTORS' REPORT

### DIVIDENDS

An interim dividend of 25 cents (2002: 40 cents) per share was declared and paid during the year, and a final dividend of 25 cents (2002: 40 cents) per share was declared payable to shareholders on 13 October 2003. Both dividends were affected by the lower earnings for the year and are not comparable with the previous year which included an exceptional distribution of the surplus realised on the disposal of the Dwarsrivier PGM mineral rights.

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:

	2003 R 000	2002 R 000
Final dividend No. 91 of 40 cents (2002: No. 89 of 20 cents) declared on 17 September 2002	11 200	5 600
Interim dividend No. 92 of 25 cents (2002: No. 90 of 40 cents) per share declared on 17 March 2003	7 000	11 200
	<b>18 200</b>	<b>16 800</b>

### 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.

With effect from 2 January 2003, Dr J C van der Horst was appointed as an independent, non-executive director following the resignation of Mr J S de Wet in September 2002. As his appointment was made effective during the course of the year, he is obliged to resign and offer himself for re-election at the forthcoming annual general meeting and will require confirmation by shareholders' resolution at that meeting.

In addition, in terms of the company's Articles of Association, Messrs R A Chute and B M Hawksworth retire by rotation in turn at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

### DIRECTORS' EMOLUMENTS AND INTERESTS IN SHARES OF THE COMPANY

Emoluments paid to directors for the year were as follows:

	2003 R 000	2002 R 000
Executive directors	11 483	9 203
Alternate director	1 632	1 655
Non-executive directors	108	35
	<b>13 223</b>	<b>10 893</b>

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 2003 were as follows, and the company is unaware of any material change in these interests between 30 June 2003 and the reporting date:

	Number of shares 2003	Number of shares 2002
<b>Beneficial</b>		
<i>Executive directors</i>		
Desmond Sacco	100 000	100 000
R J Carpenter	22 400	22 400
C J Cory	10 000	10 000
P C Crous	2 000	500
<i>Alternate directors</i>		
J W Lewis	2 500	2 500
<i>Non-executive directors</i>		
R A Chute	-	-
B M Hawksworth	-	-
Dr J C van der Horst	-	-
	<b>136 900</b>	<b>135 400</b>
<b>Non-beneficial</b>		
<i>Executive directors</i>		
Desmond Sacco	8 000	8 000
R J Carpenter	8 000	8 000
PC Crous	8 000	8 000
C J Cory	8 000	8 000
<i>Alternate directors</i>		
J W Lewis	-	-
<i>Non-executive directors</i>		
R A Chute	8 000	8 000
B M Hawksworth	-	-
Dr J C van der Horst	-	-
	<b>40 000</b>	<b>40 000</b>

## DIRECTORS' REPORT

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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.

	2003	2002
	%	%
<b>Shareholder spread</b>		
Shares held by the public/non-public		
Non-public*		
– Holders in excess of 10 per cent of the share capital	75,1	75,1
– Directors of the company	0,3	0,6
	75,4	75,7
Public (167 shareholders, 2002: 130)	24,6	24,3
	100,0	100,0
<b>Major shareholders</b>		
Oresteel Investments (Proprietary) Limited	52,28	52,28
Old Mutual Nominees (Proprietary) Limited	22,92	22,92
Anglovaal Mining Limited	9,32	9,32
	84,52	84,52
Others – less than 5%	15,48	15,48
	100,00	100,00

### HOLDING COMPANY

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

Johannesburg  
25 August 2003

## BALANCE SHEETS

At 30 June 2003

	Note	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant, equipment and intangibles	2	1 056 281	956 950	–	–
Environmental rehabilitation trust funds	3	12 547	12 829	–	–
Investment in group companies	4			62 980	62 980
Other investments	6	147 152	179 051	147 152	179 051
		<b>1 215 980</b>	<b>1 148 830</b>	<b>210 132</b>	<b>242 031</b>
<b>Current assets</b>					
Inventories	7	469 132	448 330	–	–
Trade and other receivables		358 209	320 846	911	494
Cash resources		96 623	84 633	6	18
		<b>923 964</b>	<b>853 809</b>	<b>917</b>	<b>512</b>
<b>TOTAL ASSETS</b>		<b>2 139 944</b>	<b>2 002 639</b>	<b>211 049</b>	<b>242 543</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Share capital and reserves</b>					
Share capital	8	700	700	700	700
Non-distributable reserves	9	28 759	89 438	26 875	82 897
Distributable reserve		1 353 054	1 234 882	134 619	126 534
<b>Shareholders' equity</b>		<b>1 382 513</b>	<b>1 325 020</b>	<b>162 194</b>	<b>210 131</b>
<b>Minority shareholders' interest</b>		<b>12 701</b>	<b>13 796</b>		
<b>Non-current liabilities</b>					
Deferred taxation	10	198 251	173 261	4 222	8 176
Long-term provisions	11	34 864	31 716	–	–
Long-term borrowings	12	1	316	–	–
Loans from group companies				44 000	24 150
		<b>233 116</b>	<b>205 293</b>	<b>48 222</b>	<b>32 326</b>
<b>Current liabilities</b>					
Accounts payable	13	181 833	67 781	106	85
Provisions	14	12 161	11 405	–	–
Amounts due to group companies				309	–
Taxation		8 998	25 943	218	1
Overdrafts and short-term borrowings	15	308 622	353 401	–	–
		<b>511 614</b>	<b>458 530</b>	<b>633</b>	<b>86</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 139 944</b>	<b>2 002 639</b>	<b>211 049</b>	<b>242 543</b>

## INCOME STATEMENTS

For the year ended 30 June 2003

	Note	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
Revenue	16	1 843 769	1 593 576	27 883	26 775
Turnover		1 753 027	1 514 406	–	–
Cost of sales		1 418 915	1 052 223	–	–
Gross profit		334 112	462 183	–	–
Other operating income		71 081	70 054	35	60
Other operating expenses		(180 672)	(125 712)	(1 357)	(306)
Profit/(loss) from operations		224 521	406 525	(1 322)	(246)
Exceptional item	19	–	248 278	–	–
Income from investments		21 750	14 633	27 848	26 715
Finance costs		(28 412)	(35 207)	–	–
Profit before taxation and State's share of profits	17	217 859	634 229	26 526	26 469
Taxation and State's share of profits/(credit)	20	76 414	131 894	241	(6)
Profit after taxation and State's share of profits		141 445	502 335	26 285	26 475
Minority shareholders' share of profit		5 073	381		
Net profit		136 372	501 954	26 285	26 475
Earnings per share (cents)	22	487	1 793		
Headline earnings per share (cents)	22	483	903		
Dividends declared per share (cents)	21	65	60	65	60

## CASH FLOW STATEMENTS

For the year ended 30 June 2003

		<b>Group 2003 R 000</b>	<b>Group 2002 R 000</b>	<b>Company 2003 R 000</b>	<b>Company 2002 R 000</b>
<b>Cash retained from operating activities</b>		<b>257 030</b>	101 785	<b>5 877</b>	7 498
Cash generated by/(utilised in) operations	23.1	308 391	482 036	(707)	(245)
Investment income	23.2	5 238	4 848	<b>24 680</b>	26 721
Generated by/(utilised in) working capital	23.3	41 073	(273 183)	117	(2 203)
Cash generated by operating activities		<b>354 702</b>	213 701	<b>24 090</b>	24 273
Interest income		13 346	9 794	2	2
Finance costs		(28 412)	(35 207)	–	–
Taxation paid	23.4	(64 415)	(69 756)	(24)	(30)
Cash available from operating activities		<b>275 221</b>	118 532	<b>24 068</b>	24 245
Dividends paid	23.5	(18 191)	(16 747)	(18 191)	(16 747)
<b>Cash (utilised in)/generated by investing activities</b>		<b>(198 276)</b>	30 493	<b>(25 739)</b>	(31 631)
Acquisition of listed investments					
– joint venture shares	23.6	–	(26)	–	(26)
– other		(32 174)	(31 606)	(32 174)	(31 606)
Additions to property, plant and equipment		(174 287)	(191 502)		
Net additions to intangible assets		–	(1 596)		
Net movement in environmental rehabilitation trust funds		282	(1 808)	–	–
Proceeds on disposal of platinum group metal mineral rights		–	248 278	–	–
Proceeds on disposal of					
– property, plant and equipment		1 467	8 752	–	–
– listed investments		6 436	1	6 435	1
Cash (utilised in)/generated by financing activities		<b>(46 764)</b>	(125 668)	<b>19 850</b>	24 150
Overdraft and short-term borrowings repaid		(44 779)	(124 691)	–	–
Long-term borrowings repaid		(290)	(977)	–	–
Dividends paid to minority shareholders		(1 695)	–	–	–
Movement in group company balances		–	–	<b>19 850</b>	24 150
<b>Increase/(decrease) in cash resources for the year</b>		<b>11 990</b>	6 610	<b>(12)</b>	17
<b>Cash resources at beginning of year</b>		<b>84 633</b>	78 023	<b>18</b>	1
<b>Cash resources at end of year</b>		<b>96 623</b>	84 633	<b>6</b>	18

STATEMENTS OF CHANGES IN EQUITY

At 30 June 2003

	<b>Group 2003 R 000</b>	Group 2002 R 000	<b>Company 2003 R 000</b>	Company 2002 R 000
<b>Share capital</b>				
Balance at beginning and end of year	700	700	700	700
<b>Non-distributable reserves</b>				
Balance at beginning of year	89 438	52 252	82 897	49 121
Net (decrease)/increase in the market value of listed investments	(59 976)	41 951	(59 976)	41 952
Deferred capital gains taxation provided on revaluation of listed investments to market value	3 954	(8 176)	3 954	(8 176)
Foreign currency translation reserve arising on consolidation	(4 657)	3 411		
Balance at end of year	28 759	89 438	26 875	82 897
<b>Distributable reserve – retained earnings</b>				
Balance at beginning of year	1 234 882	749 728	126 534	116 859
Net profit per income statement	136 372	501 954	26 285	26 475
Ordinary dividends declared				
No's 91 and 92 aggregating 65 cents per share (2002: 60 cents per share)	(18 200)	(16 800)	(18 200)	(16 800)
	1 353 054	1 234 882	134 619	126 534
Per balance sheet	1 382 513	1 325 020	162 194	210 131



## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003

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### 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 the 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. Subsidiaries are reflected at cost less provision for any permanent impairment in value.

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 on consolidation. Goodwill arising on the consolidation of a foreign entity is calculated at the exchange rate applicable at the date of acquisition.

The carrying value of subsidiaries is compared with their attributable net asset or market value and, where appropriate, 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 which 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.

#### **Exploration expenditure**

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

#### **Intangible assets**

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

#### *Research and development*

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

- the technical feasibility of completing the asset demonstrates that it will be available for use or sale;
- there is an intention to complete the asset, and use or sell it;
- there is an ability to use or sell the asset;

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003 (continued)

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### 1. ACCOUNTING POLICIES (continued)

#### **Intangible assets (continued)**

##### *Research and development (continued)*

- 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 20 years.

#### **Property, plant, 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 recoverable amount 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 to an estimated residual value on a straight-line basis over their estimated useful lives. The annual depreciation rates used vary between 2% and 10%.

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

##### *Plant and equipment*

Mining plant and equipment is amortised over the lesser of its estimated useful life which is estimated at 5 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, mine development and decommissioning*

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

Mine development and decommissioning assets 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.

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003 (continued)

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### 1. ACCOUNTING POLICIES (continued)

#### **Property, plant, equipment and depreciation (continued)**

*Vehicles, furniture and office equipment*

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

Vehicles, furniture and office equipment are depreciated 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 slow moving items. Cost is determined using the following bases:

- Raw materials are valued at weighted average cost.
- Consumables and maintenance spares are valued at average cost.
- Finished products are valued at weighted average cost including an appropriate allocation 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.

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:

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003 (continued)

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### 1. ACCOUNTING POLICIES (continued)

#### **Revenue recognition (continued)**

##### *Technical fees and commissions on sales*

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

##### *Ores and alloys*

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

##### *Interest*

Interest is recognised on a time proportion basis.

##### *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 received**

Dividends received are recognised in accordance with the relevant dividend declaration dates.

#### **Dividends paid**

Dividends paid are only reflected in the financial statements if they were declared in the current financial period.

#### **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. Monetary items denominated in a foreign currency are translated to rand at the approximate rates of exchange at the end of the financial year. 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. The initial recognition of financial instruments is at cost and subsequent recognition is at fair value or amortised cost. Recognition methods adopted are disclosed in the policy statements for each item.

##### *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. 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 considered permanent are taken 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 marking to market or a change from cost to fair value is included in the determination of other net income.

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003 (continued)

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### 1. ACCOUNTING POLICIES (continued)

#### **Financial instruments (continued)**

##### *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, which includes associated transaction costs which 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 value are included in 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.

#### **Post employment benefits**

Retirement benefits 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 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. Actuarial gains and losses are accounted for in the period of origination. Current contributions in respect of defined contribution plans are expensed as incurred.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003 (continued)

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### 1. ACCOUNTING POLICIES (continued)

#### **Environmental rehabilitation expenditure (continued)**

##### *Environmental rehabilitation trust funds.*

Payments are made annually with regard to all mining and prospecting operations to a rehabilitation trust fund in accordance with statutory requirements. The assets and liabilities of the trust funds concerned are disclosed 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 and losses on items of a capital nature. Headline earnings have been calculated in accordance with circulars issued by South African Institute of Chartered Accountants in 2002. 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 disclosed in the cash flow statement comprise cash on hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value. Bank overdrafts have been separately disclosed with current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	2003			2002		
	Cost	Accumulated depreciation	Book value	Cost	Accumulated depreciation	Book value
	R 000	R 000	R 000	R 000	R 000	R 000
<b>2. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES</b>						
<b>At year end</b>						
<b>Mining assets (group only)</b>						
Mineral and prospecting rights	82 880	5 368	77 512	83 961	3 226	80 735
Land, buildings and mine properties	127 878	29 012	98 866	111 583	23 929	87 654
Plant and equipment	588 915	188 882	400 033	545 583	154 396	391 187
Prospecting, exploration and development	374 449	56 977	317 472	312 480	46 841	265 639
Vehicles, furniture and office equipment	132 781	76 054	56 727	98 280	61 275	37 005
Leased assets capitalised	176	138	38	770	278	492
	<b>1 307 079</b>	<b>356 431</b>	<b>950 648</b>	<b>1 152 657</b>	<b>289 945</b>	<b>862 712</b>
<b>Other assets (group only)</b>						
Land and buildings	53 359	–	53 359	53 574	9	53 565
Township property	7 318	7 318	–	7 318	7 318	–
Industrial property	9 830	1 167	8 663	9 934	777	9 157
Plant and equipment	45 310	11 867	33 443	30 436	8 986	21 450
Vehicles, furniture and office equipment	15 899	9 941	5 958	14 949	9 635	5 314
Intangible assets	7 980	3 770	4 210	7 980	3 228	4 752
	<b>139 696</b>	<b>34 063</b>	<b>105 633</b>	<b>124 191</b>	<b>29 953</b>	<b>94 238</b>
	<b>1 446 775</b>	<b>390 494</b>	<b>1 056 281</b>	<b>1 276 848</b>	<b>319 898</b>	<b>956 950</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Cost			Accumulated depreciation			Book value 2003 R 000
	Opening balance	Acquisitions	Reclassifications and disposals	Opening balance	Current charge	Reclassifications and disposals	
	R 000	R 000	R 000	R 000	R 000	R 000	
<b>2. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLES (continued)</b>							
<b>Movement for the year</b>							
<b>Mining assets (group only)</b>							
Mineral and prospecting rights	83 961	10	(1 091)	3 226	2 142	–	77 512
Land, buildings and mine properties	111 583	16 295	–	23 929	5 292	(209)	98 866
Plant and equipment	545 583	44 112	(780)	154 396	34 412	74	400 033
Prospecting, exploration and development	312 480	62 261	(292)	46 841	10 136	–	317 472
Vehicles, furniture and office equipment	98 280	33 956	544	61 275	14 530	248	56 727
Leased assets capitalised	770	–	(594)	278	27	(167)	38
	<b>1 152 657</b>	<b>156 634</b>	<b>(2 213)</b>	<b>289 945</b>	<b>66 539</b>	<b>(54)</b>	<b>950 648</b>
<b>Other assets (group only)</b>							
Land and buildings	53 574	39	(254)	9	–	(9)	53 359
Township property	7 318	–	–	7 318	–	–	–
Industrial property	9 934	21	(125)	777	390	–	8 663
Plant and equipment	30 436	14 900	(25)	8 986	2 907	(25)	33 443
Vehicles, furniture and office equipment	14 949	2 693	(1 527)	9 635	2 247	(1 725)	5 958
Intangible assets	7 980	–	–	3 228	542	–	4 210
	<b>124 191</b>	<b>17 653</b>	<b>(1 931)</b>	<b>29 953</b>	<b>6 086</b>	<b>(1 759)</b>	<b>105 633</b>
	<b>1 276 848</b>	<b>174 287</b>	<b>(4 144)</b>	<b>319 898</b>	<b>72 625</b>	<b>(1 813)</b>	<b>1 056 281</b>

Mining equipment with a cost of R175 802 (2002: R769 877) 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 differences for the year arising on the translation at year end of the property, plant and equipment of a foreign subsidiary amounted to R190 496 (2002: R182 305), and were included in acquisitions.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>3. ENVIRONMENTAL REHABILITATION TRUST FUNDS</b>				
Balance at beginning of year	12 829	12 953		
Contributions received during the year	590	658		
Interest received	1 629	1 149		
Withdrawals from fund	(2 501)	(1 931)		
Balance at end of year	12 547	12 829	–	–
<b>4. INVESTMENT IN GROUP COMPANIES</b>				
<b>Investment in joint venture entity</b> (refer note 5 below)				
1 620 214 (2002: 1 620 214) ordinary shares in Assmang Limited				
At cost			60 810	60 810
Market value			2 025 268	1 798 438
<b>Investment in subsidiary companies</b> (refer note 30 below)				
Shares at cost			2 170	2 170
Current accounts payable			309	–
Loan accounts payable			44 000	24 150
Joint venture entity (as above)			60 810	60 810
Subsidiary companies (as above)			2 170	2 170
			62 980	62 980
<b>5. INVESTMENT IN JOINT VENTURE</b>				
Assore Limited has a 45,66% interest in Assmang Limited, which is controlled jointly with Anglovaal Mining Limited.				
Included in the group financial statements are the following amounts relating to the joint venture which were proportionately consolidated.				
<b>Income statement</b>				
Revenue	1 271 011	1 220 736		
Turnover	1 326 270	1 282 832		
Retained profit for the year	73 637	428 596		
<b>Balance sheet</b>				
Property, plant, equipment and intangibles	946 226	857 473		
Environmental rehabilitation trust funds	5 967	4 742		
Current assets	693 369	609 369		
Current liabilities – interest bearing	239 290	263 406		
– non-interest bearing	145 918	53 939		
Long-term borrowings – interest bearing	1	316		
Deferred taxation	198 982	168 312		
Long-term provisions	16 368	14 245		
Distributable reserves	984 193	910 556		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>5. INVESTMENT IN JOINT VENTURE (continued)</b>				
<b>Cash flows</b>				
Cash retained from operating activities	172 698	74 228		
Cash (utilised in)/generated by investing activities	(153 616)	78 467		
Cash generated in financing activities	(24 431)	(152 997)		
Cash and cash equivalents	1 444	6 793		
<b>Commitments and contingent liabilities</b>				
Company's interests in future capital expenditure:				
– contracted for	49 920	62 562		
– not contracted for	106 401	255 732		
	156 321	318 294		
Contingent liabilities relating to the group's interest in the joint venture are referred to in note 27.				
<b>6. OTHER INVESTMENTS</b>				
Listed – at market value	147 027	178 926	147 027	178 926
Unlisted – at cost	125	125	125	125
	147 152	179 051	147 152	179 051
Listed – at cost	116 545	87 853	116 545	87 853
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.				
<b>7. INVENTORIES</b>				
Raw materials	197 822	172 667		
Consumable stores	31 200	23 118		
Finished goods	240 110	252 545		
	469 132	448 330	–	–
<b>8. SHARE CAPITAL</b>				
<b>Authorised</b>				
40 000 000 ordinary shares of 2,5 cents each (2002: 40 000 000 ordinary shares of 2,5 cents each)	1 000	1 000	1 000	1 000
<b>Issued</b>				
28 000 000 ordinary shares of 2,5 cents each (2002: 28 000 000 ordinary shares of 2,5 cents each)	700	700	700	700

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>9. NON-DISTRIBUTABLE RESERVES</b>				
Foreign currency translation reserve	1 884	6 541	–	–
Arising on the revaluation of listed investments to market value	31 097	91 073	31 097	91 073
Deferred capital gains taxation on revaluation of listed investments	(4 222)	(8 176)	(4 222)	(8 176)
	<b>28 759</b>	<b>89 438</b>	<b>26 875</b>	<b>82 897</b>
<b>10. DEFERRED TAXATION</b>				
Raised on the following differences:				
Accelerated capital allowances	208 715	182 180		
Assessed losses utilised	(2 184)	(5 116)		
Provisions	(11 061)	(10 789)		
Valuation of inventories	(1 478)	(1 191)		
Valuation of investments	4 222	8 176	4 222	8 176
Other	37	1		
	<b>198 251</b>	<b>173 261</b>	<b>4 222</b>	<b>8 176</b>
<b>Movements</b>				
Balance at beginning of year	173 261	115 452	8 176	–
– Deferred tax assets	8 598	16 234	–	–
– Deferred tax liabilities	181 859	131 686	8 176	–
	<b>24 990</b>	<b>57 809</b>	<b>(3 954)</b>	<b>8 176</b>
Originating temporary difference on fixed assets	26 535	50 880		
Originating temporary difference from assessed loss	2 932	1 335		
Temporary differences on provisions made	(272)	(1 862)		
Temporary difference on valuation of inventories	(287)	(629)		
Temporary difference on re-valuation of investments	(3 954)	8 176	(3 954)	8 176
Increase in joint venture shareholding	–	3		
Other	36	(94)		
	<b>198 251</b>	<b>173 261</b>	<b>4 222</b>	<b>8 176</b>
– Deferred tax assets	11 183	8 598	–	–
– Deferred tax liabilities	209 434	181 859	4 222	8 176

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>11. LONG-TERM PROVISIONS</b>				
<b>Provision for decommissioning and restoration</b>	12 741	11 135		
Balance at beginning of year	11 135	11 009		
Amounts claimed from the fund relating to work undertaken	(818)	(1 143)		
Provision for the year (net of interest earned in fund)	2 424	1 269		
<b>Post-retirement health care benefits (refer note 31)</b>	22 123	20 581		
Balance at beginning of year	20 581	17 277		
Provision for the year	1 542	3 304		
Balance at end of year	34 864	31 716	–	–
<b>12. LONG-TERM BORROWINGS</b>				
<b>South African long-term borrowings</b>				
Secured loans	26	462	–	–
Finance lease liabilities over fixed assets with a cost of R175 802 (2002: R769 877) which are repayable in varying monthly instalments over 24 months (2002: 48 months) and bear interest at 1% below the prime overdraft rate.				
<b>Foreign long-term borrowings</b>				
Unsecured loans – US\$ nil million (2002: US\$ 0,09 million)	–	1 053	–	–
<b>Total long-term borrowings</b>	26	1 515	–	–
Less: repayable within one year included in short-term borrowings (refer note 15)	25	1 199	–	–
	1	316	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

12. LONG-TERM BORROWINGS (continued)	Rate of interest	Total borrowings	Repayable during the year ending 30 June			
<b>Interest rates and loan repayments</b>			2004	2005	2006	2007
Group	%	2003	R 000	R 000	R 000	R 000
2003		R 000	R 000	R 000	R 000	R 000
Secured loans – finance lease liabilities	1% below the prime overdraft rate	26	24	2	–	–
Unsecured loans	interest free	–	–	–	–	–
		26	24	2	–	–

<b>Interest rates and loan repayments</b>	Rate of interest	Total borrowings	Repayable during the year ending 30 June			
Group	%	2002	2003	2004	2005	2006
2002		R 000	R 000	R 000	R 000	R 000
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

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
13. ACCOUNTS PAYABLE				
Trade payables	179 714	57 157	106	32
Other payables	2 119	10 624	–	53
	181 833	67 781	106	85

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>14. PROVISIONS</b>				
Balance at beginning of year	11 405	11 048		
Provisions raised for the year	2 182	2 642		
Payments made during the year	(1 426)	(2 285)		
Balance at end of year	12 161	11 405	–	–
Made up as follows:				
<b>Provisions</b>				
<b>Bonuses</b>				
Balance at beginning of year	1 157	677		
Provisions raised	1 266	1 157		
Payments made during the year	(1 157)	(677)		
Balance at end of year	1 266	1 157	–	–
<b>Leave-pay</b>				
Balance at beginning of year	8 187	8 310		
Provisions raised	916	1 485		
Payments made during the year	(269)	(1 608)		
Balance at end of year	8 834	8 187	–	–
<b>Self insurance</b>				
Balance at beginning and end of year	2 061	2 061	–	–
	12 161	11 405	–	–
<b>15. OVERDRAFTS AND SHORT-TERM BORROWINGS</b>				
Overdrafts	239 265	256 353		
Short-term borrowings	69 332	95 849		
Current portion of long-term borrowings (refer note 12)	25	1 199		
	308 622	353 401	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>16. REVENUE</b>				
Sale of products	1 753 027	1 514 406		
Technical fees and commissions on sales	62 688	62 226		
Income from investments	21 750	14 633	27 848	26 715
Other	6 304	2 311	35	60
	<b>1 843 769</b>	<b>1 593 576</b>	<b>27 883</b>	<b>26 775</b>
<b>17. PROFIT BEFORE TAXATION AND STATE'S SHARE OF PROFITS</b>				
Profit before taxation and State's share of profits is stated after taking into account the following items of income and expenditure:				
<b>Income</b>				
Dividends received	5 451	4 839	24 893	26 712
Listed joint venture entity	–	–	19 442	21 873
Other listed investments	5 451	4 839	5 451	4 839
Income from subsidiary companies				
– administration fees			35	60
Interest received	13 346	9 794	2	2
Profit on disposal of				
– listed investments	2 953	1	2 953	1
– property, plant and equipment	476	3 029	–	–
Realised foreign exchange gains	1 613	2 487	–	–
<b>Expenditure</b>				
Amortisation of intangible assets	307	493	–	–
Auditors' remuneration	2 442	2 445	38	36
Audit fees	2 017	2 342	38	36
Other services	425	103	–	–
Consumables stores written off	5 687	184	–	–
Depreciation of mining assets	66 539	54 401	–	–
Mineral and prospecting rights	2 142	1 196		
Land, buildings and mining properties	5 292	3 092		
Plant and machinery	34 412	30 939		
Prospecting, exploration and development	10 136	10 410		
Vehicles, furniture and office equipment	14 530	8 610		
Leased assets capitalised	27	154		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
17. PROFIT BEFORE TAXATION AND STATES SHARE OF PROFITS (continued)				
Depreciation of other assets	5 544	5 676	–	–
Industrial property	390	389		
Plant and machinery	2 907	3 392		
Vehicles, furniture and office equipment	2 247	1 895		
Directors' emoluments (refer note 18)			13 223	10 893
– directors' fees			406	233
– other services			12 817	10 660
Exploration expenditure	1 330	2 510	–	–
Amortisation of goodwill	236	2 242		
Impairment of book value of mineral rights	1 363	–	–	–
Interest paid on short-term borrowings	28 412	35 207	–	–
Loss on disposal and scrapping of property, plant and equipment	9	28	–	–
Professional fees	2 487	5 131	–	–
Provision for doubtful debts and bad debts written off	489	386	–	–
Provision for impairment of listed investments	615	–	615	–
Realised foreign exchange loss	46 081	–	–	–
Transfer secretary fees	–	–	155	139
Staff costs				
– salaries and wages	203 260	175 091	–	–
– pension fund contributions	15 086	9 995	–	–
– post retirement health care	1 501	2 533	–	–
Unrealised foreign exchange losses	7 391	4 398	–	–



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Directors' fees (refer note 1) R 000	Salary R 000	Bonuses (refer note 2) R 000	Other fringe benefits (refer note 3) R 000	Contri- butions to pension scheme R 000	Total R 000
<b>18. DIRECTORS' EMOLUMENTS</b>						
2003						
<b>Executive</b>						
D Sacco (Executive Chairman)	85	1 524	1 011	191	–	2 811
R J Carpenter (Deputy Chairman)	71	1 521	1 292	79	271	3 234
C J Cory (Financial)	71	1 118	1 170	153	201	2 713
P C Crous (Technical)	71	1 118	1 170	159	207	2 725
<b>Alternate</b>						
J W Lewis	–	677	704	133	118	1 632
<b>Non-executive</b>						
R A Chute*	31					31
J S de Wet*	1					1
B M Hawksworth	46					46
J C van der Horst	30					30
	<b>406</b>	<b>5 958</b>	<b>5 347</b>	<b>715</b>	<b>797</b>	<b>13 223</b>
2002						
<b>Executive</b>						
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
<b>Alternate</b>						
J W Lewis	–	615	756	176	108	1 655
<b>Non-executive</b>						
R A Chute*	2					2
J S de Wet*	2					2
B M Hawksworth	31					31
	<b>233</b>	<b>4 943</b>	<b>4 280</b>	<b>722</b>	<b>715</b>	<b>10 893</b>

\*Fees paid to Old Mutual

**Notes:**

- Directors' fees for executives include fees received from Assmang Limited.
- 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.
- Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, leave paid out, study loan benefits and unemployment insurance fund contributions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>19. EXCEPTIONAL ITEM</b>				
Profit on disposal of the Dwarsrivier platinum group mineral rights	–	248 278	–	–
<b>20. TAXATION AND STATE'S SHARE OF PROFITS</b>				
South African normal tax				
– current year	34 212	65 293	242	20
– prior year (overprovisions)/underprovisions	(450)	1 346	(1)	(26)
State's share of profits	11 278	13 905		
Deferred taxation				
– temporary differences	28 944	49 629		
Secondary tax on companies	2 430	1 721		
	<b>76 414</b>	<b>131 894</b>	<b>241</b>	<b>(6)</b>
The current tax charge is affected by non-taxable investment income, capital redemption allowances and assessed tax losses in certain subsidiary companies and trading losses in other subsidiary companies for which there was no tax relief in the current year.				
Estimated losses available for the reduction of future taxable income arising in certain joint venture and subsidiary companies	33 677	34 681		
Estimated unredeemed capital expenditure available for reduction of future taxable income of certain mining operations in certain joint venture and subsidiary companies	233 516	230 865		
<b>Reconciliation of tax rate (%)</b>				
Standard tax rate	30,00	30,00	30,00	30,00
Adjusted for:				
Dividend income	(0,75)	(0,38)	(28,15)	(30,28)
Exempt income	(1,66)	(11,74)	(3,34)	–
(Overprovisions)/underprovisions of ordinary taxation in prior years	(0,21)	0,38	–	(0,10)
State's share of profits	3,62	2,52	–	–
Disallowable expenditure	0,85	0,71	1,54	–
Secondary tax on companies	1,12	0,45	–	–
Other	2,10	(1,14)	0,86	0,36
Effective tax rate	<b>35,07</b>	<b>20,80</b>	<b>0,91</b>	<b>(0,02)</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>21. DIVIDENDS</b>				
Ordinary – Declared	18 200	16 800	18 200	16 800
Per share (cents)	65	60	65	60
Ordinary – Paid	14 000	22 400	14 000	22 400
Per share (cents)	50	80	50	80
<b>22. EARNINGS AND HEADLINE EARNINGS PER SHARE</b>				
Calculation of earnings, and headline earnings per share was determined using the following information:				
<b>Earnings</b>				
Net income after taxation and State's share of profits per income statement	136 372	501 954		
<b>Headline earnings</b>				
Earnings as above	136 372	501 954		
Adjusted for:				
Profit on disposal of:				
– property, plant and equipment	(476)	(3 029)		
– listed investments	(2 953)	(1)		
Exceptional item	–	(248 278)		
Impairment of book value of mineral rights	1 363	–		
Provision for impairment of listed investments	615	–		
Amortisation of goodwill	236	2 242		
Headline earnings	135 157	252 888		
Number of shares in issue	28 000	28 000		
Earnings per share (cents)	487	1 793		
Headline earnings per share (cents)	483	903		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>23. NOTES TO THE CASH FLOW STATEMENTS</b>				
<b>23.1 Cash generated by/(utilised in) operations</b>				
Profit before taxation and State's share of profits	217 859	634 229	26 526	26 469
Adjusted for:	90 532	(152 193)	(27 233)	(26 714)
– Dividends received	(5 451)	(4 839)	(24 893)	(26 712)
– Interest received	(13 346)	(9 794)	(2)	(2)
– Profit on disposal of property, plant and equipment	(476)	(3 029)	–	–
– Profit on disposal of investments	(2 953)	(1)	(2 953)	(1)
– Profit on disposal of the Dwaarsrivier platinum group metal mineral rights	–	(248 278)	–	–
– Provision for bad debts and bad debts written off	489	386	–	–
– Consumables stores written off	5 687	184	–	–
– Depreciation on property, plant and equipment	72 083	60 077	–	–
– Impairment of book value of mineral rights	1 363	–	–	–
– Loss on disposal and scrapping of property, plant and equipment	9	28	–	–
– Unrealised foreign exchange losses	7 391	4 398	–	–
– Interest paid	28 412	35 207	–	–
– Provision against listed investments	615	–	615	–
– Movements in long-term provisions	3 148	4 573	–	–
– Movements in short-term provisions	2 182	2 242	–	–
– Amortisation of goodwill	542	2 734	–	–
– Foreign currency translation reserve	(9 130)	3 917	–	–
– Other non-cash flow items	(33)	2	–	1
	<b>308 391</b>	<b>482 036</b>	<b>(707)</b>	<b>(245)</b>
<b>23.2 Investment income</b>				
Dividends receivable at beginning of year	138	147	138	147
Credited to the income statements	5 451	4 839	24 893	26 712
Dividends receivable at end of year	(351)	(138)	(351)	(138)
	<b>5 238</b>	<b>4 848</b>	<b>24 680</b>	<b>26 721</b>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>23. NOTES TO THE CASH FLOW STATEMENTS (continued)</b>				
<b>23.3 Cash generated by/(utilised in) working capital</b>				
Increase in inventories	(26 489)	(109 139)	–	–
Increase in accounts receivable	(37 639)	(126 846)	(204)	(151)
Increase/(decrease) in amounts owing to group companies	–	–	309	(1 984)
Increase/(decrease) in accounts payable	106 627	(34 447)	12	(68)
Payments against provisions	(1 426)	(2 751)	–	–
	<b>41 073</b>	<b>(273 183)</b>	<b>117</b>	<b>(2 203)</b>
<b>23.4 Taxation paid</b>				
Unpaid at beginning of year	(25 943)	(13 438)	(1)	(37)
(Charged)/credited to the income statements	(76 414)	(131 894)	(241)	6
Movement in deferred taxation	28 944	49 633	–	–
Unpaid at end of year	8 998	25 943	218	1
	<b>(64 415)</b>	<b>(69 756)</b>	<b>(24)</b>	<b>(30)</b>
<b>23.5 Dividends paid</b>				
Unpaid at beginning of year	(53)	–	(53)	–
Paid during the year	(18 200)	(16 800)	(18 200)	(16 800)
Unpaid at end of year	62	53	62	53
	<b>(18 191)</b>	<b>(16 747)</b>	<b>(18 191)</b>	<b>(16 747)</b>
<b>23.6 Acquisition of joint venture shares</b>				
Purchase price	–	(26)	–	(26)
Less: cash in the joint venture	–	–	–	–
	<b>–</b>	<b>(26)</b>	<b>–</b>	<b>(26)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

### 24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group is exposed to various financial risks related to the use of financial instruments in the normal course of its operations, however it does not acquire, hold or issue any derivative instruments for speculative purposes. A treasury risk management committee has been established by the group which manages these risks in accordance with the policies itemised below:

#### Currency risk

The group's markets are predominantly priced in US dollars and to a lesser extent Euro, which exposes the group's cash flows to foreign exchange currency risks. Where considered appropriate, these risks are hedged using foreign exchange contracts. The extent to which foreign currency receivables are hedged by forward exchange contracts is continuously reviewed in the light of changes in operational forecasts and current market conditions. Set out below is a summary of foreign debtors at the year end which are included in trade and other receivables in the balance sheet, none of which were covered by foreign change contracts.

	Group 2003 R 000	Group 2002 R 000
Foreign debtors at year end		
US dollar denominated	230 445	218 080
Euro denominated	102 114	96 665
	332 559	314 745

#### Credit risk

Credit risk arises from possible defaults on payments by customers or bank counterparties where letters of credit have been issued. The group minimises credit risk by careful evaluation of the ongoing credit worthiness of the customers and bank counterparties before transactions are concluded. Only banking institutions with exceptional credit rankings are considered, and where amounts are material, the amounts are distributed appropriately among these institutions to minimise credit risk by diversification.

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

#### Fair value risk

The estimated fair value of the group's financial instruments which is based on relevant market information is compared with the book value on an ongoing basis, and as at 30 June 2003, book value approximated fair value. As market information is involved in making assumptions, estimated fair value is determined as accurately as the relevant market information will permit.

#### Interest rate risk

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

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

	Book value at year end R 000	Maturity date	Effective interest rate
<b>Financial assets</b>			
<i>Year ended 30 June 2003</i>			
Cash – financial institutions	96 623	Current	Overnight call deposit
<i>Year ended 30 June 2002</i>			
Cash – financial institutions	84 633	Current	Overnight call deposit

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Foreign currency amount US\$000	Book value at year end R 000	Maturity date	Effective interest rate
<b>24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)</b>				
<b>Interest rate risk (continued)</b>				
<b>Financial liabilities</b>				
<i>Year ended 30 June 2003</i>				
Local long-term borrowings				
– Hire purchase agreements	–	1	2005	1% below prime interest rate
				Linked to
Local short-term borrowings				money
– Financial institutions	–	239 290	Current	market
Foreign short-term borrowings				Linked to
– Financial institutions	9 300	69 332	Current	LIBOR
	9 300	308 623		
<i>Year ended 30 June 2002</i>				
Local long-term borrowings				
– Hire purchase agreements	–	316	2006	13,0 Linked to
				money
Local short-term borrowings				market
– Financial institutions	–	257 552	Current	Linked to
Foreign short-term borrowings				LIBOR
– Financial institutions	9 369	95 849	Current	
	9 369	353 717		

### 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 controlled and monitored by the preparation of detailed cash flow forecasts and budgets which are regularly reviewed by management. Banking facilities are established in advance with reputable banks to ensure that any forecast cashflow shortfalls can be met from borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group 2003 R 000	Group 2002 R 000	Company 2003 R 000	Company 2002 R 000
<b>25. COMMITMENTS</b>				
<b>Capital</b>				
Expenditure authorised but not contracted for	106 401	255 732		
Expenditure authorised and contracted for	65 505	93 181		
	<b>171 906</b>	<b>348 913</b>	–	–
It is anticipated that this expenditure which relates wholly to plant and equipment will be incurred over a two year period and will be financed from own resources and borrowing facilities.				
<b>Other</b>				
Forward commitments entered into by a foreign subsidiary with regard to its inventory of ores, alloys and metals:				
Purchases US\$7 000 (2002: 3 200)	61 886	32 736		
Sales US\$19 400 (2002: 9 500)	171 513	97 185		
<b>26. BORROWING CAPACITY</b>				
The borrowing capacity of the company and its subsidiaries, in terms of its Articles of Association are as follows:				
<b>Assore Limited</b>				
Authorised in terms of the Articles of Association	200 000	200 000	200 000	200 000
External borrowings at year end	–	–	–	–
<b>Assmang Limited</b>				
Authorised in terms of the Articles of Association	1 045 002	971 366		
External borrowings at year end				
– long-term borrowings	1	316		
– overdrafts and short-term	308 622	353 401		
	<b>308 623</b>	<b>353 717</b>	–	–
<b>27. CONTINGENT LIABILITIES</b>				
Holding company guarantees issued to bankers as security for facilities provided to subsidiary companies	263 578	267 339	263 578	267 339
Performance guarantees issued to customers by subsidiary companies	7 402	4 858	–	–
	<b>270 980</b>	<b>272 197</b>	<b>263 578</b>	<b>267 339</b>

The holding company has also issued guarantees to bankers to secure a short-term export finance agreement facility of R180 million (2002: R180 million). The facility is utilised for and on behalf of a principal in which the group holds a 45,66% interest and which in turn has provided a back-to-back guarantee against any claims made by bankers in terms of this facility.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

### 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. In addition, the group earns revenue from other sources which have been consolidated under a separate heading for one of the following reasons:

- the majority of its revenue is earned from internal sales and
- its revenue from total sales is less than 10% of the total revenue, external and internal, of all segments or
- its segment result is less than 10% of the combined result of all segments in profit or loss whether on absolute amounts or
- its assets are less than 10% of the total assets of all segments.

	Mining and beneficiation			Subtotal	Marketing and shipping	Other, individually less than 10%	Con solidation-adjust-ments	Total
	Iron ore division	Manganese division	Chrome division					
<b>Primary segmental information</b>								
<b>Year to 30 June 2003</b>								
Revenue	314 893	685 039	331 309	1 331 241	441 956	135 640	(65 068)	1 843 769
Contribution to earnings	24 517	130 575	(62 013)	93 079	38 537	11 829	(7 073)	136 372
Contribution to headline earnings	24 517	130 565	(62 013)	93 069	38 773	10 388	(7 073)	135 157
<b>Other information</b>								
Consolidated total assets	360 488	712 024	583 538	1 656 050	359 616	458 852	(334 574)	2 139 944
Consolidated total liabilities	93 004	134 746	383 298	611 048	161 860	267 690	(283 167)	757 431
Capital expenditure	46 690	83 707	23 997	154 394	–	19 969	–	174 363
Depreciation	18 900	25 705	20 259	64 864	374	7 387	–	72 625
<b>Year to 30 June 2002</b>								
Revenue	334 011	674 153	277 172	1 285 336	246 516	126 474	(64 750)	1 593 576
Contribution to earnings	61 667	158 528	230 288	450 483	28 889	24 534	(1 952)	501 954
Contribution to headline earnings	61 667	158 150	(17 793)	202 024	28 624	21 950	290	252 888
<b>Other information</b>								
Consolidated total assets	318 164	652 833	553 528	1 524 525	310 504	348 141	(180 531)	2 002 639
Consolidated total liabilities	77 427	183 843	291 888	553 158	138 695	114 029	(128 263)	677 619
Capital expenditure	64 116	47 311	58 581	170 008	–	23 140	–	193 148
Depreciation	16 999	22 028	14 256	53 283	277	9 252	–	62 812

Note: Earnings include Secondary Tax on Companies (STC) amounting to R2 429 723 (2002: R1 721 492).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Group revenue by segment 2003 R 000	Group revenue by segment 2002 R 000	Group debtors by segment 2003 R 000	Group debtors by by segment 2002 R 000
<b>Geographical segments:</b>				
28. SEGMENT INFORMATION (continued)				
<b>Geographical segments</b>				
An analysis of the geographical locations to which product is supplied is set out below:				
Customers by location				
South Africa	211 074	177 947	25 650	6 101
Europe	427 955	386 722	102 114	96 665
USA	638 198	409 256	95 263	63 188
Far East	542 077	588 983	129 345	147 222
Other	24 465	30 668	5 837	7 670
	<b>1 843 769</b>	<b>1 593 576</b>	<b>358 209</b>	<b>320 846</b>
	<b>Group 2003 R 000</b>	<b>Group 2002 R 000</b>		
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;				
<b>Joint venture company</b>				
Assmang Limited				
– commissions received	48 536	50 843		
– amounts payable to related parties at year end	5 957	8 057		
<b>Foreign subsidiary</b>				
Minerais U.S. LLC				
– commissions received	8 201	9 859		
– amounts receivable from related party transactions at year end	12 800	14 277		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

	Issued share capital 2003 R	Issued share capital 2002 R	Direct interest in share capital 2003 %	Direct interest in share capital 2002 %	Shares at cost 2003 R 000	Shares at cost 2002 R 000	Amounts due by/(to) subsidiary companies 2003 R 000	Amounts due by/(to) subsidiary companies 2002 R 000
<b>30. INTEREST OF HOLDING COMPANY IN ITS SUBSIDIARY COMPANIES</b>								
<b>Incorporated in South Africa</b>								
African Mining and Trust Company Limited	1 000 000	1 000 000	100	100	1 200	1 200	(29 309)	(24 150)
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	-	-	-	-
Erven 27 & 28 Illovo (Proprietary) Limited	1 000	1 000	100	100	-	-	-	-
Ore & Metal Company Limited	100 000	100 000	100	100	105	105	(15 000)	-
Rustenburg Minerals Development Company (Proprietary) Limited	130 000	130 000	100	100	130	130	-	-
Wonderstone Limited	10 000	10 000	100	100	10	10	-	-
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	-	-
<b>Incorporated in Namibia</b>								
Krantzberg Mines Limited*	500 000	500 000	100	100	-	-	-	-
<b>Incorporated in Mozambique</b>								
Amhold Limitada*	2	2	100	100	-	-	-	-
<b>Incorporated in United States of America</b>								
Minerais U.S. LLC	17 756 100	17 756 100	51	51	11 418	11 418	-	-
					14 736	14 736		
Less – held indirectly					(11 452)	(11 452)		
– provided against					(1 114)	(1 114)		
Per note 4					2 170	2 170	(44 309)	(24 150)

\*Dormant companies

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2003 (continued)

### 31. RETIREMENT BENEFIT INFORMATION

#### 31.1 Pensions

The group sponsors two defined benefit pension funds (Funds 1 and 2) and a defined contribution plan. The last statutory actuarial valuation of Fund 1 was performed as at 1 July 2002. This valuation revealed a funding level of 95,8%. Although this funding level is acceptable to the Registrar of Pension Funds, the Company has committed to paying additional contributions over the three years ending 30 June 2005 in order to amortise this deficit. An updated funding check has been performed as at 1 July 2003, and this revealed that the funding level has reduced to 84% over the 12 months following the statutory valuation date, almost entirely as a result of poor equity market performance over that period and contribution rates have therefore not been amended accordingly at this stage.. The impact of the Pension Funds Second Amendment Act 2001 has been taken into account in the aforementioned actuarial valuations, and had little material financial impact on the Fund. Funding checks will continue to be prepared on an annual basis until the next actuarial evaluation in 2005.

The last statutory actuarial valuation of Fund 2 was performed as at 1 September 2000. The valuation revealed that the Fund was solvent with a reported 100% funding level. All active members were transferred to a defined contribution fund coincident with this valuation date, and only a small number of pensioners remain in this closed pension fund. The Company intends to transfer these remaining pensioners to Fund 1 following formal approval from the Registrar, whereafter Fund 2 will be deregistered.

#### *Defined benefit plans*

There have been no major changes in the structure of the defined benefit funds nor have any unusual events taken place since the date of the last actuarial valuations which would materially affect the financial position of the funds which, at 30 June 2002, was follows:

	Fund 1 R 000	Fund 2 R 000
Actuarial present value of assets	64 285	3 090
Actuarial present value of liabilities	67 080	3 090
	(2 795)	–
Funding level	95,8%	100,0%

Contributions to the funds by the group which were expensed amounted to R4 280 475 (2002: R3 870 569).

The principal actuarial assumptions include:

Post retirement pension increase rate – 5,25% per annum, compounded

Investment returns – 10% per annum, compounded

Rate of consumer price inflation – 5,5% per annum

Mortality (active members) – nil mortality rate

Spouses' benefits – on average, husbands are three years older than their wives. Eighty percent of all staff members will be married by the time they retire. For current pensioners, the actual marital statuses and the exact ages of the spouses have been taken into account.

#### *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 R10 805 670 (2002: R6 124 766).

## NOTES TO THE FINANCIAL STATEMENTS

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For the year ended 30 June 2003 (continued)

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### 31. RETIREMENT BENEFIT INFORMATION (continued)

#### 31.2 Medical aid

The group has obligations to fund the medical aid costs of certain employees and 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 – 10% per annum, compounded

Rate of consumer price inflation – 5,5% per annum

General medical aid inflation will exceed general price inflation by 2,5% per annum in future.

Mortality (active members) – Nil

Mortality (pensioners) – PA(90) Tables for Pensioners (ultimate rates)

Spouses' benefits – on average, husbands are three years older than their wives. Eighty percent of the active members will be married at their respective retirement dates.

Contributions that are paid for dependant children of pensioners will cease when the children turn 25.

No active members were assumed to have dependant children when they retire.

The actuarially determined liability in respect of the current retirees and active employees is R13 038 863 (2002: R13 155 317), 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 R8 419 540 (2002: R5 286 763).

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### 32. COMPARATIVE FIGURES

Comparative figures have been restated where necessary in order to afford more meaningful presentation.

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## NOTICE TO MEMBERS

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Notice is hereby given that the fifty third Annual General Meeting of Assore Limited will be held at 15 Fricker Road, Illovo Boulevard, Johannesburg on 28 November 2003 at 10h30 for the following purposes:

- To receive and consider the annual financial statements for the year ended 30 June 2003.
- To elect directors in place of those retiring in accordance with the provisions of the company's Articles of Association. (refer footnotes for directors' curriculum vitae).
- 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

25 August 2003

Directors retiring by rotation and available for re-election:

**R A Chute**

B.Com, MBL (Unisa), Diploma in Company Law (UCT) – Joined the Board of Assore Limited as a non-executive director in 1991 and currently holds the position of Executive Director of Old Mutual Properties (Proprietary) Limited.

**B M Hawksworth**

CA (SA), CFA – Appointed to the Assore Board as an independent non-executive director in 1996 and currently chairs the Assore Audit and Remuneration Committees.

A former senior partner of Ernst & Young, Life Member of the Institute of Commercial and Financial Accountants of Southern Africa and a member of the South African Institute of Chartered Accountants serving on both its Council and Executive Committee. A Fellow of the Institute of Directors which he chaired in the early 1990's and holds appointments on the boards of several other companies.

**Dr J C van der Horst**

BA, LL D – Former senior executive of Old Mutual, served on the Assore Board between 1989 and 1997, and again since January 2003 when he was appointed as an independent non-executive director. Serves on the boards of various companies listed on the JSE Securities Exchange.

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## FORM OF PROXY

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**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, 28 November 2003 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 \_\_\_\_\_ 2003

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Please see notes overleaf.

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## NOTES

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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 Limited Investor Services Division, 70 Marshall Street, Johannesburg (PO Box 62053, Marshalltown 2107) to be received by not later than 10h30 on Wednesday, 26 November 2003.
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