



ANNUAL FINANCIAL STATEMENTS 2018



# ANNUAL FINANCIAL STATEMENTS

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*Cover image: Excavator loading ore into haul truck at Beeshoek Iron Ore Mine.*

### Report feedback

Feedback on this Assore report can be made directly to Mrs MJ Claassen at: [marethaclaassen@assore.com](mailto:marethaclaassen@assore.com)

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## APPROVAL OF THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2018

The consolidated and separate financial statements of Assore Limited for the year ended 30 June 2018, as set out on pages 2 to 84, have been prepared under the supervision of Mr RA Davies CA(SA), have been audited in accordance with section 30(2)(a) of the Companies Act and were approved by the board of directors in accordance with section 30(3)(c) of the Companies Act on 19 October 2018, and are signed on its behalf by:



**Desmond Sacco**  
Chairman



**CE Walters**  
Chief Executive Officer

## COMPANY SECRETARY'S CERTIFICATE

for the year ended 30 June 2018

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



**African Mining and Trust Company Limited**  
Secretaries  
per: **CD Stemmett**

19 October 2018

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2018

To the shareholders of Assore Limited

## REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Opinion

We have audited the consolidated and separate financial statements of Assore Limited and its subsidiaries (the group) set out on pages 6 to 84, which comprise the directors' report, consolidated and separate statements of financial position as at 30 June 2018, and the consolidated and separate income statement, the consolidated and separate statement of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Assore Limited and the group as at 30 June 2018, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing the audit of Assore Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Assore Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

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## Key audit matter (KAM)

### Environmental rehabilitation

#### (Consolidated financial statements only)

The nature of the mining industry's mineral extraction is such that environmental disturbance is inevitable.

In terms of NEMA regulations, IAS 37 and IFRIC 1 the group provides for the estimated costs of rehabilitation which include both restoration and decommissioning of associated assets. Management calculates a rehabilitation provision based on the present value of the estimated future decommissioning and restoration costs at the end of the group's mine and plant lives.

The key risks associated with this provision are:

- the key uncertainty surrounding the future life of mines;
- the forward-looking nature of the provisions; and
- the uncertainty regarding the underlying assumptions.

The disclosure associated with the environmental rehabilitation is set out in the consolidated financial statements in note 15.

## How the matter was addressed in the audit

Our audit procedures involved, among others, the following:

1. As the Assore group's only significant rehabilitation provision relates to the mining operations of the subsidiary Dwarsrivier Chrome Mine (Dwarsrivier), our review focused on Dwarsrivier's rehabilitation provision.
2. We engaged, as part of our team, environmental valuation specialists to assist us in our assessment of the measurement of the environmental rehabilitation provision.
3. We reviewed the work performed by Dwarsrivier management's independent environmental experts who were appointed to perform the evaluation of Dwarsrivier's environmental rehabilitation and mine closure costs. Our procedures included a review of:
  - a. The experts' assessment of environmental risk.
  - b. Their estimation of Dwarsrivier's environmental rehabilitation costs on the "current disturbance" and life-of-mine basis.
  - c. The assessment of the Dwarsrivier environmental rehabilitation, decommissioning and mine closure plan prepared by the experts.
  - d. The contextual information and the underlying assumptions applied for calculation of the rehabilitation and closure costs and the related financial provision.
  - e. Dwarsrivier management's recorded long-term provision for rehabilitation costs to be included in Dwarsrivier's financial records and compared this with the expert's independent estimate of the NEMA financial provision relating to current mine closure rehabilitation and mine closure/ decommissioning costs.
4. The team tested and reperformed management's calculation of environmental rehabilitation provisions recorded. The team obtained the report from independent experts to assess the reasonability of the assumptions used in the calculations.
5. Assessed the reasonability of management's economic assumptions in their rehabilitation models. The most significant of these assumptions include the risk-free discount rates and the expected future inflation factors, as they have the most significant impact on the balance of the provision.
6. Evaluated the adequacy of financial statement disclosures in compliance with IFRS.
7. Inspected the accounting entries.



## INDEPENDENT AUDITOR'S REPORT continued

for the year ended 30 June 2018

### Other information

The directors are responsible for the other information. The other information comprises the Audit Committee's report and the company secretary's certificate as required by the Companies Act of South Africa, and the information included in the integrated annual report, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Ernst & Young Inc., and its predecessor firm, has been the auditor of Assore Limited for 29 years.

### ***Ernst & Young Inc.***

Ernst & Young Inc.

**Director: Dave Ian Cathrall**

*Registered auditor*

Chartered Accountant (SA)

19 October 2018

## DIRECTORS' REPORT

for the year ended 30 June 2018

### NATURE OF BUSINESS

Assore Limited was incorporated in South Africa in 1950 and is a mining holding company engaged principally in ventures involving base minerals and metals. The company's shares are listed on the JSE Limited (the JSE) under "Assore" in the general mining sector and its ultimate holding company is Oresteel Investments Proprietary Limited. Assore's principal investment is a 50% (2017: 50%) interest in Assmang Proprietary Limited (Assmang), which it controls jointly with African Rainbow Minerals Limited (ARM), which is also listed on the JSE. Assmang mines iron and manganese ores, and produces manganese alloys. In addition, the group mines chrome ore at Dwarsrivier Chrome Mine located near Steelpoort in the Lydenburg district. It also mines Wonderstone (a type of pyrophyllite), a portion of which is beneficiated to produce high-precision components, and wear and acid-resistant tiles, which are installed in various mining and industrial applications. The group, through its wholly owned subsidiary, Ore & Metal Company Limited, is responsible for marketing all products produced by its joint venture and subsidiary companies, the bulk of which is exported and the remainder either used in the group's beneficiation processes or sold locally. Details of the group's activities are set out, by activity, in the Chief executive officer's report. Refer pages 26 to 31 of the 2018 integrated annual report.

### FINANCIAL RESULTS

The financial results of the group for the year ended 30 June 2018 are summarised below:

|  | Year ended 30 June |           |
|--|--------------------|-----------|
|  | 2018               | 2017      |
|  | R'000              | R'000     |
| Turnover   | <b>6 305 587</b>   | 5 945 266 |
| Profit before joint-venture entity and foreign listed associate  | <b>1 666 926</b>   | 1 888 857 |
| Share of profit from joint-venture entity, after taxation  | <b>3 524 287</b>   | 3 266 282 |
| Share of losses in associates  | <b>(16 211)</b>    | (16 809)  |
| Profit for the year  | <b>5 175 002</b>   | 5 138 330 |
| Profit attributable to non-controlling shareholders  | <b>(55 673)</b>    | (117 159) |
| Profit attributable to the shareholders of the holding company   | <b>5 119 329</b>   | 5 021 171 |
| Less: Dividends relating to the group's activities for the year under review   | <b>2 270 554</b>   | 1 444 478 |
| Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018                                      | <b>1 396 070</b>   | 837 642   |
| Final dividend No 123 of 1 200 cents (2017: 800 cents) per share – declared on 5 September 2018  | <b>1 675 284</b>   | 1 116 856 |
| Less: Dividends attributable to treasury shares  | <b>(800 800)</b>   | (510 020) |
| Profit for the year after dividends  | <b>2 848 775</b>   | 3 576 693 |
| The attributable interest of the company in the aggregate net profit and losses after taxation of subsidiary companies was as follows: |                    |           |
| – Profits  | <b>1 505 909</b>   | 1 843 787 |
| – Losses   | <b>(39 757)</b>    | (73 648)  |



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## CONTROL OVER FINANCIAL REPORTING

The directors of the company are responsible for the preparation and fair presentation of the financial statements and related financial information included in this report. The external auditors, Ernst & Young Inc., whose report is set out on pages 2 to 5, are responsible for expressing an opinion on the financial statements based on their audit.

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

The financial statements have been prepared on a going concern basis and the directors have no reason to believe that 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 carrying amount of all assets included in the statement of financial position are appropriately valued.

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

## JOINT-VENTURE ENTITY

Assore holds a 50% interest in Assmang, which it controls jointly with ARM in terms of a long-standing shareholders' agreement. In accordance with IFRS, Assmang is accounted for on the equity-accounting basis, and Assore has disclosed its share of Assmang's profit as "share of profit from joint-venture entity, after taxation". Set out below are the financial statements of Assmang in abridged format, which combine its continuing and previously discontinued operations.

Abridged consolidated comprehensive income statement of Assmang

|   | Year ended 30 June |               |
|---|--------------------|---------------|
|   | 2018<br>R'000      | 2017<br>R'000 |
| Turnover  | 27 548 235         | 26 280 018    |
| Profit before taxation                                  | 9 994 479          | 9 101 268     |
| Taxation  | (2 920 956)        | (2 543 755)   |
| Earnings  | 7 073 523          | 6 557 513     |
| Other comprehensive income/(loss)                       | 265 267            | (445 405)     |
| Dividends declared and paid during the year             | (6 000 000)        | (5 607 730)   |
| Total comprehensive income for the year after dividends | 1 338 790          | 504 378       |

**DIRECTORS' REPORT** *continued*

for the year ended 30 June 2018

**ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
OF ASSMANG AT 30 JUNE**

|                               | <b>2018</b>       | 2017       |
|-------------------------------|-------------------|------------|
|                               | <b>R'000</b>      | R'000      |
| <b>Assets</b>                 |                   |            |
| Non-current assets            | <b>26 509 377</b> | 25 073 561 |
| Current assets                |                   |            |
| Inventories                   | <b>4 392 486</b>  | 3 647 687  |
| Trade and other receivables   | <b>5 522 327</b>  | 4 317 489  |
| Financial assets              | <b>228 367</b>    | 275 632    |
| Cash resources                | <b>5 014 065</b>  | 6 330 426  |
| Total assets                  | <b>41 666 622</b> | 39 644 795 |
| <b>Equity and liabilities</b> |                   |            |
| Equity                        | <b>31 884 665</b> | 30 545 874 |
| Non-current liabilities       |                   |            |
| Deferred taxation liability   | <b>5 809 009</b>  | 5 471 271  |
| Long-term provisions          | <b>897 397</b>    | 913 301    |
| Trade and other payables      | <b>89 217</b>     | 94 439     |
| Current liabilities           |                   |            |
| Trade and other payables      | <b>1 819 476</b>  | 1 584 458  |
| Short-term provisions         | <b>960 674</b>    | 643 080    |
| Taxation                      | <b>206 184</b>    | 392 372    |
| Total liabilities             | <b>9 781 957</b>  | 9 098 921  |
| Total equity and liabilities  | <b>41 666 622</b> | 39 644 795 |
| Capital expenditure           | <b>3 082 204</b>  | 2 816 981  |
| Capital commitments           | <b>2 844 692</b>  | 2 586 774  |

## DIRECTORS' EMOLUMENTS

|  | Directors' fees<br>(refer note 1)<br>R'000 | Salaries<br>R'000 | Bonuses<br>(refer note 2)<br>R'000 | Contributions<br>to pension<br>scheme<br>R'000 | Other<br>fringe<br>benefits<br>(refer note 3)<br>R'000 | Total<br>R'000 |
|--|--|-------------------|------------------------------------|--|--|----------------|
| <b>2018</b>  |  |                   |                                    |  |  |                |
| <b>Executive</b>   |  |                   |                                    |  |  |                |
| Desmond Sacco (Chairman)   | 73   | 4 264             | 711                                | —  | 310  | 5 358          |
| CE Walters (Chief executive officer – appointed 1 July 2017)     | 96   | 5 904             | 12 526                             | 1 234  | 1 422  | 21 182         |
| RA Davies (Chief financial officer – appointed 20 February 2018) | 22   | 1 026             | 3 016                              | 258  | 397  | 4 719          |
| PE Sacco (Group marketing director)                              | 96   | 2 800             | 9 255                              | 709  | 987  | 13 847         |
| BH van Aswegen (Technical and operations director)               | 96   | 3 119             | 10 512                             | 790  | 1 093  | 15 610         |
| <b>Non-executive</b>   |  |                   |                                    |  |  |                |
| EM Southey (Deputy chairman and lead independent director)       | 750  |                   |                                    |  |  | 750            |
| DN Aitken  | 300  |                   |                                    |  |  | 300            |
| TN Mgoduso   | 400  |                   |                                    |  |  | 400            |
| S Mhlarhi  | 400  |                   |                                    |  |  | 400            |
| WF Urmson  | 600  |                   |                                    |  |  | 600            |
|  | <b>2 833</b>                               | <b>17 113</b>     | <b>36 020</b>                      | <b>2 991</b>                                   | <b>4 209</b>   | <b>63 166</b>  |
| <b>2017</b>  |  |                   |                                    |  |  |                |
| <b>Executive</b>   |  |                   |                                    |  |  |                |
| Desmond Sacco (Chairman)   | 110  | 4 264             | 355                                | —  | 311  | 5 040          |
| CJ Cory (Chief executive officer – retired 30 June 2017)         | 96   | 5 666             | 13 777                             | 1 435  | 28 778   | 49 752         |
| PE Sacco (Group marketing director)                              | 96   | 2 592             | 7 162                              | 657  | 972  | 11 479         |
| BH van Aswegen (Group operations and growth director)            | 96   | 2 888             | 8 295                              | 732  | 1 442  | 13 453         |
| <b>Non-executive</b>   |  |                   |                                    |  |  |                |
| EM Southey (Deputy chairman and lead independent director)       | 700  |                   |                                    |  |  | 700            |
| DN Aitken (appointed 1 March 2017)                               | 100  |                   |                                    |  |  | 100            |
| TN Mgoduso   | 375  |                   |                                    |  |  | 375            |
| S Mhlarhi  | 375  |                   |                                    |  |  | 375            |
| WF Urmson  | 575  |                   |                                    |  |  | 575            |
|  | <b>2 523</b>                               | <b>15 410</b>     | <b>29 589</b>                      | <b>2 824</b>                                   | <b>31 503</b>  | <b>81 849</b>  |

### Notes:

- Directors' fees include fees received from Assmang.
- 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 the group's results for the year and the achievement of its long-term objectives. Directors owning shares in the group do so in their own right and disclosure thereof is made in this report (refer page 10).
- Other fringe benefits include medical aid contributions, car scheme allowances, life insurance contributions, group life contributions, use of assets and unemployment insurance fund contributions. In 2017, other fringe benefits paid to Mr Cory included an *ex gratia* payment made on his retirement after 28 years of service in the group.

For more detail relating to the group's remuneration policy and structure, refer "Corporate governance and risk management report" on page 45 of the 2018 integrated annual report.

**DIRECTORS' REPORT** *continued*

for the year ended 30 June 2018

**DIRECTORS' INTERESTS IN SHARES OF THE COMPANY**

Interests of the directors in the ordinary shares of the company at 30 June 2018 were as follows:

|                                | <b>Direct<br/>beneficial<br/>number of<br/>shares<br/>2018</b> | <b>Indirect<br/>beneficial<br/>number of<br/>shares<br/>2018</b> | Direct<br>beneficial<br>number of<br>shares<br>2017 | Indirect<br>beneficial<br>number of<br>shares<br>2017 |
|--------------------------------|--|--|---|---|
| <b>Executive directors</b>     |  |  |   |   |
| Desmond Sacco                  | 990 000  | 32 430 489   | 990 000   | 32 430 489  |
| CE Walters                     | —  | —  | —   | —   |
| RA Davies                      | —  | —  | —   | —   |
| PE Sacco                       | 227 580  | —  | 227 580   | —   |
| BH van Aswegen                 | 6 305  | —  | 4 505   | —   |
| CJ Cory (retired 30 June 2017) | —  | —  | 50 000  | —   |
| <b>Non-executive directors</b> |  |  |   |   |
| EM Southey                     | —  | —  | —   | —   |
| DN Aitken                      | —  | —  | —   | —   |
| TN Mgoduso                     | —  | —  | —   | —   |
| S Mhlarhi                      | —  | —  | —   | —   |
| WF Urmson                      | —  | —  | —   | —   |
|                                | <b>1 223 885</b>   | <b>32 430 489</b>  | 1 272 085   | 32 430 489  |

Note: No changes in directors' interest have occurred between 30 June 2018 and the date of issue of this report.

**DIRECTORATE AND SECRETARY**

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

In terms of the Memorandum of Incorporation (Moi), Messrs TN Mgoduso and S Mhlarhi are required to retire by rotation at the forthcoming Annual General Meeting (AGM). The aforementioned directors, being eligible, offer themselves for re-election and a brief *curriculum vitae* for each of these directors is included in the notice of the AGM (refer page 65).

**DIVIDENDS**

|  | <b>2018<br/>R'000</b> | 2017<br>R'000 |
|--|-----------------------|---------------|
| <b>Dividends declared during the year</b>  |                       |               |
| Final dividend No 121 of 800 cents (2017: 500 cents) per share – declared on 29 August 2017        | <b>1 116 856</b>      | 698 035       |
| Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018  | <b>1 396 070</b>      | 837 642       |
| Less: Dividends attributable to treasury shares  | <b>(656 207)</b>      | (400 400)     |
|  | <b>1 856 719</b>      | 1 135 277     |
| <b>Dividends relating to results of the group for the year under review</b>                        |                       |               |
| Interim dividend No. 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018 | <b>1 396 070</b>      | 837 642       |
| Final dividend No. 123 of 1 200 cents (2017: 800 cents) per share – declared on 5 September 2018   | <b>1 675 284</b>      | 1 116 856     |
| Less: Dividends attributable to treasury shares  | <b>(800 800)</b>      | (510 020)     |
|  | <b>2 270 554</b>      | 1 444 478     |

## ANALYSIS OF SHAREHOLDING

The following analysis of shareholders, in accordance with the JSE Listings Requirements, has been established, based on an examination of the company's share register at 30 June 2018. The directors are not aware of any material changes to this analysis between the year-end and the date of this report.

|   | 2018               |               | 2017             |        |
|---|--------------------|---------------|------------------|--------|
|   | Number of shares   | %             | Number of shares | %      |
| <b>Shareholder spread</b>   |                    |               |                  |        |
| Shares held by the public/non-public  |                    |               |                  |        |
| Non-public*   |                    |               |                  |        |
| – Holders in excess of 10% of the share capital   | 105 021 450        | 75,23         | 105 021 450      | 75,23  |
| – Directors of the company (direct and beneficial)  | 1 223 885          | 0,88          | 1 272 085        | 0,91   |
|   | <b>106 245 335</b> | <b>76,11</b>  | 106 293 535      | 76,14  |
| Public shareholders   | <b>33 361 665</b>  | <b>23,89</b>  | 33 313 465       | 23,86  |
|   | <b>139 607 000</b> | <b>100,00</b> | 139 607 000      | 100,00 |
| <b>Major shareholders</b>   |                    |               |                  |        |
| Oresteel Investments Proprietary Limited  | 73 190 000         | 52,43         | 73 190 000       | 52,43  |
| Main Street 460 Proprietary Limited (RF) (held 100% by Main Street 350 Proprietary Limited (RF) which is held 51% and 49% by the Boleng Trust and Assore Limited respectively)# | 15 367 000         | 11,01         | 15 367 000       | 11,01  |
| Main Street 904 Proprietary Limited (RF) (held 51% and 49% by the Fricker Road Trust and The Assore Employee Trust respectively)#   | 16 464 450         | 11,79         | 16 464 450       | 11,79  |
|   | <b>105 021 450</b> | <b>75,23</b>  | 105 021 450      | 75,23  |
| Directors of the company  | 1 223 885          | 0,88          | 1 272 085        | 0,91   |
| Others – less than 5%   | 33 361 665         | 23,89         | 33 313 465       | 23,86  |
|   | <b>139 607 000</b> | <b>100,00</b> | 139 607 000      | 100,00 |

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

^ Holding more than five percent of the issued share capital

# Refer "Black economic empowerment status report" on page 48 of the 2018 integrated annual report.

## SPECIAL RESOLUTION

The following special resolution was passed on 24 November 2017:

"That the board may authorise the company to directly or indirectly provide financial assistance to any present or future subsidiary or inter-related companies of Assore as contemplated in section 45 of the Companies Act, as amended."

## EVENT AFTER THE REPORTING PERIOD

On 5 September 2018, the board declared a final dividend of 1 200 cents per share, amounting to R1 675,3 million, which was paid to shareholders on 1 October 2018.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

|  | Note | 2018<br>R'000     | 2017<br>R'000     |
|--|------|-------------------|-------------------|
| <b>ASSETS</b>  |      |                   |                   |
| <b>Non-current assets</b>                                  |      |                   |                   |
| Investment in joint-venture entity                         | 1    | 15 984 321        | 15 327 400        |
| Property, plant and equipment                              | 2    | 1 132 725         | 873 531           |
| Intangible assets  | 3    | 661 140           | 711 111           |
| Investments  |      |                   |                   |
| – available-for-sale listed investments                    | 4    | 262 003           | 229 376           |
| – foreign listed associate                                 | 5    | 154 896           | 108 729           |
| – available-for-sale unlisted investments                  |      | 7 568             | 24 098            |
| Pension fund surplus                                       | 34   | 129 245           | 93 144            |
| Long-term loan   | 35.2 | 6 000             | —                 |
|  |      | <b>18 337 898</b> | <b>17 367 389</b> |
| <b>Current assets</b>                                      |      |                   |                   |
| Inventories  | 6    | 1 361 954         | 1 223 032         |
| Trade and other receivables                                | 7    | 1 222 327         | 1 104 332         |
| Assets held-for-sale as part of identified disposal groups | 8    | 1 351             | —                 |
| Cash resources   | 9    | 8 449 797         | 5 626 778         |
|  |      | <b>11 035 429</b> | <b>7 954 142</b>  |
| <b>Total assets</b>  |      | <b>29 373 327</b> | <b>25 321 531</b> |
| <b>EQUITY AND LIABILITIES</b>                              |      |                   |                   |
| <b>Share capital and reserves</b>                          |      |                   |                   |
| Share capital  | 10   | 698               | 698               |
| Share premium  | 11   | 264 092           | 264 092           |
| Treasury shares  | 12   | (5 065 510)       | (5 062 848)       |
| Retained earnings  |      | 30 633 535        | 27 370 925        |
| Other reserves   | 13   | 258 537           | 76 433            |
| Equity attributable to shareholders of the holding company |      | 26 091 352        | 22 649 300        |
| Non-controlling shareholders' deficit                      |      | (40 990)          | (24 348)          |
| <b>Total equity</b>  |      | <b>26 050 362</b> | <b>22 624 952</b> |
| <b>Non-current liabilities</b>                             |      |                   |                   |
| Deferred taxation  | 14   | 345 440           | 283 778           |
| Long-term provisions                                       | 15   | 166 639           | 127 678           |
| Share-based payment liability                              | 16   | 17 513            | 7 242             |
|  |      | <b>529 592</b>    | <b>418 698</b>    |
| <b>Current liabilities</b>                                 |      |                   |                   |
| Trade and other payables                                   | 17   | 2 039 587         | 1 500 487         |
| Taxation   | 26.4 | 24 059            | 72 532            |
| Short-term provisions                                      | 18   | 128 081           | 125 143           |
| Overdrafts   | 19   | 584 472           | 579 719           |
| Liabilities associated with assets held-for-sale           | 8    | 17 174            | —                 |
|  |      | <b>2 793 373</b>  | <b>2 277 881</b>  |
| <b>Total equity and liabilities</b>                        |      | <b>29 373 327</b> | <b>25 321 531</b> |



## CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2018

|  | Note | 2018<br>R'000      | 2017<br>R'000 |
|--|------|--------------------|---------------|
| <b>Revenue</b>   | 20   | <b>7 804 737</b>   | 7 223 959     |
| Turnover   |      | <b>6 305 587</b>   | 5 945 266     |
| Cost of sales  |      | <b>(4 800 780)</b> | (4 200 692)   |
| Gross profit   |      | <b>1 504 807</b>   | 1 744 574     |
| Add: Other income  |      |                    |               |
| Commissions on sales and technical fees                                  | 20   | <b>979 005</b>     | 920 055       |
| Foreign exchange gains   | 22   | <b>59 827</b>      | 11 779        |
| Investment income  | 20   | <b>520 146</b>     | 353 512       |
| Bargain purchase gain  | 35.1 | <b>—</b>           | 256 755       |
| Profit on sale of available-for-sale listed investments                  | 4    | <b>42 432</b>      | —             |
| Other income   |      | <b>26 159</b>      | 7 026         |
| Less: Other expenses   |      |                    |               |
| Finance costs  | 21   | <b>(19 394)</b>    | (19 662)      |
| Foreign exchange losses  | 22   | <b>(6 896)</b>     | (401)         |
| Mining royalty taxes   | 22   | <b>(138 938)</b>   | (178 148)     |
| Impairment of furniture, fittings and office equipment                   | 2    | <b>(9 519)</b>     | —             |
| Impairment of non-financial assets                                       | 22   | <b>(21 564)</b>    | —             |
| Staff remuneration and benefits  | 22   | <b>(375 672)</b>   | (332 600)     |
| Other expenses   |      | <b>(247 921)</b>   | (290 613)     |
| Profit before taxation   | 22   | <b>2 312 472</b>   | 2 472 277     |
| Taxation   | 23   | <b>(645 546)</b>   | (583 420)     |
| <b>Profit after taxation, before joint-venture entity and associates</b> |      | <b>1 666 926</b>   | 1 888 857     |
| <b>Share of profit from joint-venture entity, after taxation</b>         | 1    | <b>3 524 287</b>   | 3 266 282     |
| <b>Share of losses in associates</b>                                     |      | <b>(16 211)</b>    | (16 809)      |
| <b>Profit for the year</b>   |      | <b>5 175 002</b>   | 5 138 330     |
| <b>Attributable to:</b>  |      |                    |               |
| Shareholders of the holding company                                      |      | <b>5 119 329</b>   | 5 021 171     |
| Non-controlling shareholders' share of profits in subsidiary companies   |      | <b>55 673</b>      | 117 159       |
| As above   |      | <b>5 175 002</b>   | 5 138 330     |
| Earnings per share (cents) (basic and diluted)                           | 24   | <b>4 963</b>       | 4 867         |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

| Note  | 2018<br>R'000    | 2017<br>R'000 |
|---|------------------|---------------|
| <b>Profit for the year (as above)</b>   | <b>5 175 002</b> | 5 138 330     |
| Items that may be reclassified into the income statement dependent on the outcome of a future event     | <b>162 862</b>   | (210 563)     |
| Gains on revaluation to available-for-sale listed investments, after taxation                           | <b>32 933</b>    | 38 251        |
| Gains on revaluation to market value of available-for-sale listed investments                           | <b>77 024</b>    | 49 292        |
| Deferred capital gains taxation thereon   | <b>(44 091)</b>  | (11 041)      |
| Exchange differences on translation of foreign operations   | <b>129 929</b>   | (248 814)     |
| Items that may not be reclassified into the income statement dependent on the outcome of a future event |                  |               |
| Actuarial gains in pension fund, after taxation   | <b>17 206</b>    | 26 959        |
| Total comprehensive income for the year, net of taxation  | <b>5 355 070</b> | 4 954 726     |
| Less: Comprehensive income attributable to non-controlling shareholders                                 | <b>(57 709)</b>  | (104 364)     |
| <b>Attributable to shareholders of the holding company</b>  | <b>5 297 361</b> | 4 850 362     |

## CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 30 June 2018

| Note   | 2018<br>R'000      | 2017<br>R'000 |
|--|--------------------|---------------|
| <b>Cash generated from operating activities</b>                      | <b>185 515</b>     | 734 600       |
| Net cash generated from operations                                   | <b>2 342 134</b>   | 2 205 469     |
| Cash generated from operations                                       | <b>1 968 533</b>   | 2 089 291     |
| Dividend income  | <b>17 778</b>      | 4 190         |
| Movements in working capital   | <b>355 823</b>     | 111 988       |
| Interest income  | <b>470 425</b>     | 324 197       |
| Finance costs  | <b>(12 835)</b>    | (12 003)      |
| Taxation paid  | <b>(683 139)</b>   | (552 945)     |
| Dividends paid to shareholders of the holding company                | <b>(2 512 926)</b> | (1 535 677)   |
| Dividends attributable to treasury shares, utilised within the group | <b>656 207</b>     | 400 400       |
| Dividends paid to non-controlling shareholders                       | <b>(74 351)</b>    | (94 841)      |
| <b>Cash retained from investing activities</b>                       | <b>2 632 751</b>   | 2 123 308     |
| Proceeds from disposal of available-for-sale listed investments      | <b>86 706</b>      | —             |
| Proceeds from disposal of available-for-sale unlisted investments    | <b>—</b>           | 20 493        |
| Acquisition of interests in associates                               | <b>(66 584)</b>    | —             |
| Additions to property, plant and equipment                           | <b>(404 121)</b>   | (149 859)     |
| Dividend received from joint-venture entity                          | <b>3 000 000</b>   | 2 250 000     |
| Proceeds on disposal of property, plant and equipment                | <b>16 750</b>      | 2 674         |
| <b>Cash generated/(utilised) by financing activities</b>             | <b>4 753</b>       | (416 055)     |
| Movement in overdraft  | <b>4 753</b>       | (416 055)     |
| <b>Cash resources</b>  |                    |               |
| – increase for the year  | <b>2 823 019</b>   | 2 441 853     |
| – at beginning of year   | <b>5 626 778</b>   | 3 184 925     |
| – at end of year   | <b>8 449 797</b>   | 5 626 778     |

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## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

|   | Note | 2018<br>R'000     | 2017<br>R'000     |
|---|------|-------------------|-------------------|
| <b>Share capital</b>  |      |                   |                   |
| Balance at beginning and end of year  | 10   | 698               | 698               |
| <b>Share premium</b>  |      |                   |                   |
| Balance at beginning and end of year  | 11   | 264 092           | 264 092           |
| <b>Treasury shares</b>  |      |                   |                   |
| Balance at beginning of year  |      | (5 062 848)       | (5 051 583)       |
| Acquired during the year  |      | (2 662)           | (11 265)          |
| Balance at end of year  | 12   | (5 065 510)       | (5 062 848)       |
| <b>Retained earnings</b>  |      |                   |                   |
| Balance at beginning of year  |      | 27 370 925        | 23 485 031        |
| Profit for the year   |      | 5 119 329         | 5 021 171         |
| Ordinary dividends declared during the year   | 25   | (1 856 719)       | (1 135 277)       |
| Final dividend No 121 of 800 cents (2017: 500 cents) per share – declared on 29 August 2017                       |      | (1 116 856)       | (698 035)         |
| Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018                 |      | (1 396 070)       | (837 642)         |
| Less: Dividends attributable to treasury shares   |      | 656 207           | 400 400           |
| Balance at end of year  |      | 30 633 535        | 27 370 925        |
| <b>Other reserves</b>   |      |                   |                   |
| Balance at beginning of year  |      | 76 433            | 247 242           |
| Other comprehensive income/(loss)   |      | 182 104           | (170 809)         |
| – gain after taxation arising on revaluation of available-for-sale listed investments to market value at year-end |      | 32 933            | 38 251            |
| – foreign currency translation reserve arising on consolidation   |      | 131 965           | (236 019)         |
| – actuarial gains in pension fund, after taxation   | 13   | 17 206            | 26 959            |
| Balance at end of year  | 13   | 258 537           | 76 433            |
| <b>Equity attributable to shareholders of the holding company</b>   |      | <b>26 091 352</b> | <b>22 649 300</b> |
| <b>Non-controlling shareholders' deficit</b>  |      |                   |                   |
| Balance at beginning of year  |      | (24 348)          | (33 871)          |
| Share of total comprehensive (loss)/income  |      | (16 642)          | 9 523             |
| Total comprehensive income for the year, net of taxation  |      | 57 709            | 104 364           |
| – profit for the year   |      | 55 673            | 117 159           |
| – other comprehensive income/(loss) for the year  |      | 2 036             | (12 795)          |
| Dividends paid to non-controlling shareholders  |      | (74 351)          | (94 841)          |
| Balance at end of year  |      | (40 990)          | (24 348)          |
| <b>Total equity</b>   |      | <b>26 050 362</b> | <b>22 624 952</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2018

### 1 INVESTMENT IN JOINT-VENTURE ENTITY

The group's principal investment is a 50% (2017: 50%) interest in Assmang Proprietary Limited (Assmang), a South African company which it jointly controls with African Rainbow Minerals (ARM) which is also listed on the JSE. Assmang mines iron and manganese ores and produces manganese and chrome alloys. In accordance with IFRS, the results of Assmang are accounted for by Assore using the equity method. The financial information set out below has been extracted from the audited financial statements of Assmang and its subsidiary companies for the year ended 30 June 2018.

|  | 2018<br>R'000     | 2017<br>R'000     |
|--|-------------------|-------------------|
| <b>Consolidated income statement of Assmang</b>  |                   |                   |
| Turnover   | 27 548 235        | 26 280 018        |
| Cost of sales  | (16 206 770)      | (14 810 082)      |
| Gross profit   | 11 341 465        | 11 469 936        |
| Other operating income   | 1 356 756         | 625 165           |
| Other operating expenses   | (3 469 816)       | (3 926 871)       |
| Profit from operations   | 9 228 405         | 8 168 230         |
| Profit/(loss) from joint-venture entity  | 236 606           | (46 137)          |
| Income from investments  | 597 514           | 1 074 176         |
| Finance costs  | (68 046)          | (95 001)          |
| Profit before taxation   | 9 994 479         | 9 101 268         |
| Taxation   | (2 920 956)       | (2 543 755)       |
| <b>Profit for the year, net of taxation</b>  | <b>7 073 523</b>  | <b>6 557 513</b>  |
| <b>Discontinued operations</b>   |                   |                   |
| Other comprehensive income/(loss)  | 265 267           | (445 405)         |
| <b>Total comprehensive income for the year, net of taxation (group interest therein, 50% (2017: 50%))</b> (refer "Equity-accounted results for Assmang" below) | <b>7 338 790</b>  | <b>6 112 108</b>  |
| Dividends declared during the year   | 6 000 000         | 5 607 730         |
| <b>Abridged consolidated statement of financial position of Assmang</b>  |                   |                   |
| <b>Total assets</b>  |                   |                   |
| Non-current assets   | 26 509 377        | 25 073 561        |
| Current assets   |                   |                   |
| Inventories  | 4 392 486         | 3 647 687         |
| Trade and other receivables  | 5 522 327         | 4 317 489         |
| Financial assets   | 228 367           | 275 632           |
| Cash resources   | 5 014 065         | 6 330 426         |
| <b>Total liabilities</b>   | <b>41 666 622</b> | <b>39 644 795</b> |
| Non-current liabilities  |                   |                   |
| Deferred taxation  | 5 809 009         | 5 471 270         |
| Long-term provisions   | 897 397           | 916 300           |
| Trade and other payables   | 89 217            | 94 439            |
| Current liabilities  |                   |                   |
| Trade and other payables   | 1 819 476         | 1 572 077         |
| Short-term provisions  | 960 674           | 750 612           |
| Taxation   | 206 184           | 392 374           |
|  | 9 781 957         | 9 197 072         |
| <b>Net assets</b>  | <b>31 884 665</b> | <b>30 447 723</b> |
| Proportion of the group's ownership  | 50%               | 50%               |
| <b>Carrying amount of investment</b>   |                   |                   |
| Opening balance  | 15 327 400        | 15 094 529        |
| Share of profit after taxation   | 3 524 287         | 3 266 282         |
| Sale of Dwarsrivier  | —                 | (560 709)         |
| Share of other comprehensive income/(loss), net of taxation  | 132 634           | (222 702)         |
| Less: Dividends received   | (3 000 000)       | (2 250 000)       |
| Carrying amount of investment in statement of financial position   | <b>15 984 321</b> | <b>15 327 400</b> |

|                                   |    |
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## 1 INVESTMENT IN JOINT-VENTURE ENTITY (continued)

### Carrying amount of investment (continued)

- Capital expenditure
- Capital commitments
  - contracted for
  - not contracted for

### Equity-accounted results of Assmang

- Total comprehensive income for the year, net of taxation
- Less: Other comprehensive (income)/loss from operations
- Assmang profit after taxation
- 50% thereof
- Group consolidation adjustments
- Share of profit from joint-venture entity after taxation per income statement

### Impairment of assets

The carrying values of the following assets were fully impaired at year-end, as no future economic benefits were expected to arise from these operations:

- feasibility studies relating to manganese operations
- Dwarsrivier, upon sale to joint-venture partner
- one furnace and associated assets at Cato Ridge Works
- manganese export storage facility at Cato Ridge Works

| 2018<br>R'000 | 2017<br>R'000 |
|---------------|---------------|
| 3 082 204     | 2 816 981     |
| 2 844 692     | 2 586 774     |
| 941 078       | 857 218       |
| 1 903 614     | 1 729 556     |
| 7 338 790     | 6 112 107     |
| (265 267)     | 445 405       |
| 7 073 523     | 6 557 512     |
| 3 536 761     | 3 278 756     |
| (12 474)      | (12 474)      |
| 3 524 287     | 3 266 282     |
| 51 900        | —             |
| —             | 749 347       |
| —             | 124 626       |
| —             | 68 396        |
| 51 900        | 942 369       |

## 2 PROPERTY, PLANT AND EQUIPMENT

### At year-end

- Land and buildings
- Plant, machinery and equipment
- Vehicles
- Furniture, fittings and office equipment
- Prospecting, exploration, mine development and decommissioning assets
- Mineral and prospecting rights
- Mine properties
- Capital work-in-progress

|   | Accumulated depreciation and impairment charges |           | Carrying amount |
|---|---|-----------|-----------------|
|   | Cost  | 2018      |                 |
|   | 2018  | 2018      | 2018            |
|   | R'000   | R'000     | R'000           |
| Land and buildings  | 208 992   | (30 829)  | 178 163         |
| Plant, machinery and equipment  | 716 193   | (273 532) | 442 661         |
| Vehicles  | 204 453   | (136 069) | 68 384          |
| Furniture, fittings and office equipment                              | 170 929   | (129 562) | 41 367          |
| Prospecting, exploration, mine development and decommissioning assets | 364 387   | (324 266) | 40 121          |
| Mineral and prospecting rights  | —   | —         | —               |
| Mine properties   | 89 113  | (8 514)   | 80 599          |
| Capital work-in-progress  | 281 430   | —         | 281 430         |
|   | 2 035 497                                       | (902 772) | 1 132 725       |

|   | Accumulated depreciation and impairment charges |           | Carrying amount |
|---|---|-----------|-----------------|
|   | Cost  | 2017      |                 |
|   | 2017  | 2017      | 2017            |
|   | R'000   | R'000     | R'000           |
| Land and buildings  | 194 517   | (42 373)  | 152 144         |
| Plant, machinery and equipment  | 872 091   | (454 907) | 417 184         |
| Vehicles  | 243 091   | (101 896) | 141 195         |
| Furniture, fittings and office equipment                              | 159 124   | (90 083)  | 69 041          |
| Prospecting, exploration, mine development and decommissioning assets | 213 096   | (211 013) | 2 083           |
| Mineral and prospecting rights  | 3 040   | (3 040)   | —               |
| Mine properties   | 93 207  | (3 259)   | 89 948          |
| Capital work-in-progress  | 1 936   | —         | 1 936           |
|   | 1 780 102                                       | (906 571) | 873 531         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 2 PROPERTY, PLANT AND EQUIPMENT (continued)

|   | Opening carrying amount<br>R'000 | Additions<br>R'000 | Disposals<br>R'000 | Reclassifications<br>R'000 | Current depreciation and impairment charges<br>R'000 | Carrying amount<br>R'000 |
|---|----------------------------------|--------------------|--------------------|----------------------------|--|--------------------------|
| <b>Movement for the year – 2018</b>                                   |                                  |                    |                    |                            |  |                          |
| Land and buildings  | 159 476                          | 39 629             | (9 618)            | (10 777)                   | (547)  | 178 163                  |
| Plant, machinery and equipment  | 418 482                          | 21 254             | (120)              | 51 375                     | (48 330)   | 442 661                  |
| Vehicles  | 141 198                          | 3 514              | (226)              | (23 605)                   | (52 497)   | 68 384                   |
| Furniture, fittings and office equipment                              | 70 027                           | 17 636             | (208)              | (17 410)                   | (28 678)   | 41 367                   |
| Prospecting, exploration, mine development and decommissioning assets | 834                              | 38 818             | —                  | 506                        | (37)   | 40 121                   |
| Mine properties   | 81 580                           | —                  | —                  | 3 685                      | (4 666)  | 80 599                   |
| Capital work-in-progress  | 1 934                            | 283 270            | —                  | (3 774)                    | —  | 281 430                  |
|   | <b>873 531</b>                   | <b>404 121</b>     | <b>(10 172)</b>    | <b>—</b>                   | <b>(134 755)</b>                                     | <b>1 132 725</b>         |

|   | Opening carrying amount<br>R'000 | Acquisitions<br>R'000 | Disposals<br>R'000 | Acquisition of Dwarsrivier<br>R'000 | Current depreciation and impairment charges<br>R'000 | Closing carrying amount<br>R'000 |
|---|----------------------------------|-----------------------|--------------------|-------------------------------------|--|----------------------------------|
| <b>Movement for the year – 2017</b>                                   |                                  |                       |                    |                                     |  |                                  |
| Land and buildings  | 111 302                          | 2 574                 | (9)                | 46 000                              | (391)  | 159 476                          |
| Plant, machinery and equipment  | 44 400                           | 91 343                | (15 886)           | 341 236                             | (42 611)   | 418 482                          |
| Vehicles  | 4 133                            | 34 179                | (2 216)            | 184 802                             | (79 700)   | 141 198                          |
| Furniture, fittings and office equipment                              | 14 299                           | 19 477                | (127)              | 40 290                              | (3 912)  | 70 027                           |
| Prospecting, exploration, mine development and decommissioning assets | 2 808                            | 351                   | (2 302)            | —                                   | (23)   | 834                              |
| Mine properties   | —                                | —                     | —                  | 85 427                              | (3 847)  | 81 580                           |
| Capital work-in-progress  | —                                | 1 935                 | (1)                | —                                   | —  | 1 934                            |
|   | <b>176 942</b>                   | <b>149 859</b>        | <b>(20 541)</b>    | <b>697 755</b>                      | <b>(130 484)</b>                                     | <b>873 531</b>                   |

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| <b>Impairment of assets</b>   |               |               |
| The carrying values of the following assets were fully impaired at year-end as no future economic benefits were expected to arise from their continued use and therefore the remaining value-in-use was assessed at Rnil. |               |               |
| Computer hardware (six servers)   | <b>9 519</b>  | —             |
| The computer hardware is included in the furniture, fittings and office equipment asset class.  |               |               |



### 3 INTANGIBLE ASSETS

#### Dwarsrivier mineral rights

Carrying amount at beginning of year

Acquired during the year

Amortised during the year

#### Goodwill

Goodwill arising on the acquisition of Minerais U.S. LLC

The directors are of the opinion that remaining goodwill recognised will be recovered in the form of future cash flows anticipated from Minerais U.S. LLC and is therefore not impaired

#### Licences

Carrying amount at beginning of year

Amortised during the year

### 4 AVAILABLE-FOR-SALE LISTED INVESTMENTS

Listed investments at cost

Cumulative impairment charges included in retained earnings

Opening balance

Reversal of impairment below cost previously recognised

Cumulative fair value adjustment included in other comprehensive income

Opening balance

Fair value adjustment at year-end disclosed in other reserves

Fair value adjustment of remaining investments

Profit on sale of available-for-sale listed investment

| 2018<br>R'000 | 2017<br>R'000 |
|---------------|---------------|
| 659 722       | 709 624       |
| 709 624       | —             |
| —             | 736 016       |
| (49 902)      | (26 392)      |
| 1 418         | 1 418         |
| —             | 69            |
| 69            | 249           |
| (69)          | (180)         |
| 661 140       | 711 111       |
| 157 839       | 319 767       |
| (53 398)      | (170 929)     |
| (170 929)     | (170 929)     |
| 117 531       | —             |
| 157 562       | 80 538        |
| 80 538        | 31 246        |
| 77 024        | 49 292        |
| 119 456       | 49 292        |
| (42 432)      | —             |
| 262 003       | 229 376       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 5 INVESTMENT IN FOREIGN LISTED ASSOCIATE

81 316 667 (2017: 70 833 334) shares in IronRidge Resources Limited (IronRidge) at cost  
At cost

– share of net asset value (NAV)

– goodwill

Share of equity losses to date

– balance at beginning of year

– share of equity losses for the year

Foreign currency translation reserve recorded in other comprehensive income\*

– carrying value at end of year

The investment represents 28,91% (2017: 29,64%) of IronRidge's ordinary share capital, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

IronRidge is registered in Australia and is a junior exploration company, with a portfolio of gold, lithium, bauxite, titanium and iron ore prospects in Africa and Australia.

In accordance with IFRS, IronRidge is accounted for on the equity-accounting basis and the group's share of IronRidge's loss after taxation has been disclosed in the consolidated income statement. At year-end, the fair value of the group's investment, based on the AIM price, was R410 386 000 (2017: R423 045 000).

The financial information set out below has been extracted from the provisional results of IronRidge for the year ended 30 June 2018, converted to the group reporting currency as follows:

#### Abridged income statement of IronRidge

Revenue

Total reported comprehensive loss for the year

#### Abridged statement of financial position of IronRidge

Non-current assets

Current assets

– trade and other receivables

– other current assets

– cash resources

#### Total liabilities

Trade and other payables

Net assets

Portion owned by group (%)

During the year, the group acquired a further 10 483 333 shares in the amount of R63,6 million by way of a combination of rights issues and exercising the existing "creep" provisions contained in the shareholders' agreement.

| 2018<br>R'000   | 2017<br>R'000 |
|-----------------|---------------|
| <b>185 537</b>  | 121 953       |
| <b>113 890</b>  | 50 306        |
| <b>71 647</b>   | 71 647        |
| <b>(27 348)</b> | (13 224)      |
| <b>(13 224)</b> | (8 483)       |
| <b>(14 124)</b> | (4 741)       |
| <b>(3 293)</b>  | —             |
| <b>154 896</b>  | 108 729       |
| <b>506</b>      | 43            |
| <b>(48 864)</b> | (53 648)      |
| <b>87 823</b>   | 95 370        |
| <b>11 553</b>   | 1 067         |
| <b>110 044</b>  | 130           |
| <b>95 496</b>   | 23 277        |
| <b>304 916</b>  | 119 844       |
| <b>10 244</b>   | 8 460         |
| <b>294 672</b>  | 111 384       |
| <b>28,91</b>    | 29,64         |

|                                   |    |
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|  | 2018<br>R'000    | 2017<br>R'000 |
|--|------------------|---------------|
| <b>6 INVENTORIES</b>   |                  |               |
| Raw materials  | 1 130            | 638           |
| Consumable stores  | 120 518          | 99 120        |
| Work-in-progress   | 160 846          | 132 970       |
| Finished goods   | 1 079 460        | 990 304       |
|  | <b>1 361 954</b> | 1 223 032     |
| Cost of inventory expensed included in cost of sales   | 4 660 559        | 4 015 131     |
| Cost of inventory written down during the year included in cost of sales   | 11 334           | 10 860        |
| <b>7 TRADE AND OTHER RECEIVABLES</b>   |                  |               |
| Trade  | 585 526          | 825 334       |
| Other  | 636 801          | 278 998       |
| – commissions receivable   | 402 835          | 112 954       |
| – dividend receivable  | 72 763           | 95 504        |
| – interest receivable  | 25 831           | 18 476        |
| – sundry receivables   | 135 372          | 52 064        |
|  | <b>1 222 327</b> | 1 104 332     |
| Trade receivables are non-interest-bearing and the terms range between 30 and 90 days (for more information on credit risk refer note 27.1). |                  |               |

## 8 DISPOSAL GROUPS HELD-FOR-SALE

On 17 November 2017, Assore, which owns 100% of the issued shares in Zeerust Chrome Mines Limited (Zeerust), entered into a sale of shares agreement. In terms of the agreement, Assore has agreed to sell all of its shares in Zeerust, with the transaction being contingent on certain suspensive conditions being met by 31 December 2018, the most significant of which is the consent required, in terms of the Mineral Resources and Petroleum Development Act, by the Department of Mineral Resources (DMR) for the transfer of the mining right from Zeerust (the section 11 transfer). The purchase consideration will be determined by reference to the preceding 12 month average price of chrome ore determined from the date all suspensive conditions for the transaction have been fulfilled.

On 6 February 2018, Rustenburg Minerals Development Company Proprietary Limited (Rustenburg Minerals), in which the group has a 56% interest entered into a sale of business agreement. In terms of the agreement, Rustenburg Minerals agreed to sell its chrome mining business, comprising the assets and liabilities required for the income-earning activity of the chrome mining business. At year-end the sale was contingent upon certain suspensive conditions being met, with the purchase price being agreed at nominal value, payable to Rustenburg Minerals, for the transfer of its assets and liabilities. The agreement specifically excludes any contingent liabilities arising after the effective date, 1 October 2018, of the transaction.

Management regarded the net asset value to be disposed of as disposal groups.

These identified disposal groups comprised the following assets and liabilities at 30 June 2018.

|   | Rustenburg<br>R'000 | Zeerust<br>R'000 | Total<br>R'000 |
|---|---------------------|------------------|----------------|
| Assets held-for-sale as part of identified disposal groups: |                     |                  |                |
| – inventories   | 545                 | 6                | 551            |
| – trade and other receivables                               | 259                 | 190              | 449            |
| – cash resources  | 273                 | 78               | 351            |
|   |                     |                  | <b>1 351</b>   |
| Liabilities associated with assets held-for-sale:           |                     |                  |                |
| – long-term provisions                                      | 9 950               | 1 607            | 11 557         |
| – trade and other payables                                  | 4 293               | 1 033            | 5 326          |
| – short-term provisions                                     | 251                 | 40               | 291            |
|   |                     |                  | <b>17 174</b>  |

On 1 October 2018, all suspensive conditions for the sale of the business of Rustenburg Minerals had been met. The suspensive conditions for the sale of Zeerust have not been met as yet. The asset value of these operations have accordingly been disclosed as disposal groups held-for-sale in accordance with IFRS 5: *Non-current assets held-for-sale, and discontinued operations*.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|   | 2018<br>R'000      | 2017<br>R'000    |
|---|--------------------|------------------|
| <b>9 CASH RESOURCES</b>   |                    |                  |
| Cash on deposit, fixed deposit (including accrued interest)   | 686 000            | 3 499 529        |
| Variable rate deposits and current  | 7 693 137          | 2 055 988        |
| Cash pledged in favour of bankers by a subsidiary company to secure environmental guarantees issued by them   | 70 660             | 71 261           |
|   | <b>8 449 797</b>   | <b>5 626 778</b> |
| <b>10 SHARE CAPITAL</b>   |                    |                  |
| <b>Authorised</b>   | <b>1 000</b>       | 1 000            |
| 200 000 000 (2017: 200 000 000) ordinary shares of 0,5 cents each   |                    |                  |
| <b>Issued</b>   | <b>698</b>         | 698              |
| Balance at beginning and end of year  |                    |                  |
| 139 607 000 (2017: 139 607 000) ordinary shares of 0,5 cents each   |                    |                  |
| <b>11 SHARE PREMIUM</b>   |                    |                  |
| Balance at beginning and end of year  | <b>264 092</b>     | 264 092          |
| <b>12 TREASURY SHARES</b>   |                    |                  |
| 36 455 970 (2017: 36 447 646) ordinary shares in Assore Limited:  |                    |                  |
| Controlled and owned by Main Street 904 Proprietary Limited (RF) (MS 904)   | <b>(2 692 555)</b> | (2 692 555)      |
| – 16 464 450 (11,79% of the issued share capital) acquired on 19 August 2011 at R163,00 per share   | <b>(2 683 705)</b> | (2 683 705)      |
| – Securities transfer taxation thereon  | <b>(8 850)</b>     | (8 850)          |
| Owned by the Assore Employee Trust  | <b>(13 927)</b>    | (11 265)         |
| – balance at beginning of year (47 646 shares)  | <b>(11 265)</b>    | –                |
| – 8 224 (2017: 47 646) 0,01% (2017: 0,034%) of the issued share capital acquired during the year at an average price of R316,32 (2017: R228,20) per share | <b>(2 633)</b>     | ( 11 120)        |
| – Transaction costs thereon   | <b>(29)</b>        | (145)            |
| Controlled and owned by Main Street 350 Proprietary Limited (RF) (MS350)  | <b>(2 359 028)</b> | (2 359 028)      |
| – 19 935 550 (14,28% of the issued share capital) acquired over the 2006 to 2010 financial years at an average cost of R118,00 per share                  | <b>(2 352 354)</b> | (2 352 354)      |
| – Transaction and warehousing costs thereon   | <b>(6 674)</b>     | (6 674)          |
| Balance at end of year  | <b>(5 065 510)</b> | (5 062 848)      |
| <b>13 OTHER RESERVES</b>  |                    |                  |
| Foreign currency translation reserve arising on consolidation   | <b>60 377</b>      | (71 588)         |
| – Balance at beginning of year  | <b>(71 588)</b>    | 164 431          |
| – Arising on consolidation  | <b>131 965</b>     | (236 019)        |
| Accumulated actuarial gains in Assore pension fund  | <b>100 161</b>     | 82 955           |
| – Balance at beginning of year  | <b>82 955</b>      | 55 996           |
| – Net actuarial gains per statement of comprehensive income   | <b>17 206</b>      | 26 959           |
| – Actuarial gains for the year  | <b>23 897</b>      | 37 443           |
| Less: Deferred taxation thereon (refer note 14)   | <b>(6 691)</b>     | (10 484)         |
| After tax fair value adjustment arising on the revaluation of available-for-sale listed investments at year-end:  | <b>97 999</b>      | 65 066           |
| Gross fair value adjustment (refer note 4)  | <b>157 562</b>     | 80 538           |
| Less: Deferred capital gains taxation   | <b>(59 563)</b>    | (15 472)         |
|   | <b>258 537</b>     | 76 433           |

|   | 2018<br>R'000  | 2017<br>R'000  |
|---|----------------|----------------|
| <b>14 DEFERRED TAXATION LIABILITY</b>   |                |                |
| <b>At year-end</b>  |                |                |
| Arising on temporary differences  |                |                |
| Accelerated capital allowances  | 384 445        | 3 665          |
| Revaluation of available-for-sale listed investments                            | 23 332         | (20 248)       |
| Pension fund surplus  | 36 189         | 26 080         |
| Prepaid expenditure   | 1 358          | 833            |
| Valuation of inventories  | (1 435)        | (24 234)       |
| Share-based payment liabilities   | (4 904)        | —              |
| Income received in advance  | (12 812)       | (9 123)        |
| Provisions raised   | (80 733)       | 24 422         |
| Acquisition of Dwarsrivier  | —              | 282 383        |
|   | <b>345 440</b> | <b>283 778</b> |
| <b>Movement for the year</b>  |                |                |
| Balance at beginning of year  | 283 778        | (17 421)       |
| Arising on temporary differences in income statement                            | 10 880         | (2 709)        |
| – accelerated capital allowances  | 71 400         | 3 416          |
| – revaluation of available-for-sale listed investments                          | (511)          | —              |
| – pension fund surplus  | 3 418          | (3 464)        |
| – prepaid expenditure   | 525            | 595            |
| – valuation of inventories  | (1 449)        | (24 234)       |
| – share-based payment liability   | (4 904)        | —              |
| – income received in advance  | (3 689)        | (9 123)        |
| – provisions raised   | (53 910)       | 30 101         |
| Arising on temporary differences included in other comprehensive income or loss | 50 782         | 21 525         |
| – revaluation of available-for-sale listed investments at year-end              | 44 091         | 11 041         |
| – actuarial gains on pension fund   | 6 691          | 10 484         |
| Acquisition of Dwarsrivier  | —              | 282 383        |
| As above  | <b>345 440</b> | <b>283 778</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|  | 2018<br>R'000   | 2017<br>R'000 |
|--|-----------------|---------------|
| <b>15 LONG-TERM PROVISIONS</b>   |                 |               |
| <b>Environmental obligations</b>   |                 |               |
| <b>Provision against cost of decommissioning assets</b>  | <b>65 840</b>   | 36 187        |
| Balance at beginning of year   | 36 187          | 6 079         |
| Provisions raised during the year  | 26 671          | 26 662        |
| Unwinding of discount on the provision   | 2 982           | 3 446         |
| <b>Provision for cost of environmental restoration</b>   | <b>34 940</b>   | 43 865        |
| Balance at beginning of year   | 43 865          | 16 696        |
| Provisions (utilised)/raised during the year   | (12 502)        | 22 956        |
| Unwinding of discount on the provision   | 3 577           | 4 213         |
| <b>Employee benefit liability</b>  | <b>77 416</b>   | 47 626        |
| Balance at beginning of year   | 47 626          | —             |
| Provision arising on acquisition of Dwarsrivier  | —               | 56 478        |
| Provisions raised during the year  | 41 199          | —             |
| Payments made during the year  | (11 409)        | —             |
| Transfer between long and short-term provisions  | —               | (8 852)       |
| <b>Transfer to disposal groups held-for-sale</b>   | <b>(11 557)</b> | —             |
| Balance at end of year   | <b>166 639</b>  | 127 678       |
| The inflation rates applied to estimate costs used in the discounted cash flow to determine the provision for environmental restoration vary between 6,03% and 6,30% (2017: 6,30% and 8,25%) and the nominal discount rates vary between 8,25% and 8,49% (2017: 6,30% and 8,25%).  |                 |               |
| <b>16 SHARE-BASED PAYMENT LIABILITY</b>  |                 |               |
| Carrying amount of the liability relating to the equity participation rights (EPRs) expense arising from cash-settled share-based payment transactions during the year, using the Monte Carlo valuation technique  | <b>17 513</b>   | 7 242         |
| EPRs are granted to certain non-managerial employees of the group in terms of the Assore Employee Trust (AET) share-based payment scheme. The number of EPRs allocated in a particular year is based on 10% of the employee's annual salary on the date of the allocation, relative to the Assore share price. The growth in the value of the EPRs and resultant cash payment is linked to the Assore share price on the date of the payment. This value is reduced by the outstanding balance of the notional debt allocated, which is calculated as the value of the Assore share price on the date that the EPRs were first allocated. The notional amount attracts interest at a rate linked to the prime rate, reduced by 22% of the value of the dividends declared on the Assore shares included in the EPR allocations. The EPRs vest after one year of service rendered by the employee and are settled after 10 years after the initial allocation date. |                 |               |
| At 30 June 2018, the fair value of the EPRs, utilising the Monte Carlo valuation technique, amounted to R12 795 000 (2017: R11 678 103). The number of EPRs that have vested to date amount to 187 127 (2017: 173 179), and have a combined intrinsic value of R2 281 000 (2017: R2 770 456).  |                 |               |
| The following assumptions were used in determining the fair value of the EPRs:   |                 |               |
| – dividend yield, between 1,87% and 4,01% (2017: 2,44% and 3,78%)  |                 |               |
| – expected volatility, between 41,64% and 51,73% (2017: 41,64% and 44,95%)   |                 |               |
| – risk-free interest rate between 7,65% and 8,18% (2017: 7,77% and 8,81%)  |                 |               |



|   | 2018<br>R'000    | 2017<br>R'000 |
|---|------------------|---------------|
| <b>17 TRADE AND OTHER PAYABLES</b>  |                  |               |
| Trade   | 1 893 422        | 1 450 654     |
| Other   | 146 165          | 49 833        |
|   | <b>2 039 587</b> | 1 500 487     |
| Trade and other payables are non-interest-bearing and terms vary between 30 and 90 days.  |                  |               |
| <b>18 SHORT-TERM PROVISIONS</b>   |                  |               |
| <b>Bonuses</b>  | <b>78 492</b>    | 74 917        |
| Balance at beginning of year  | 74 917           | 8 495         |
| Provisions raised during the year   | 146 821          | 120 873       |
| Transfers between long and short-term provisions  | —                | 8 852         |
| Payments made during the year   | (143 246)        | (63 303)      |
| <b>Leave pay</b>  | <b>44 880</b>    | 40 757        |
| Balance at beginning of year  | 40 757           | 12 291        |
| Provisions raised during the year   | 11 053           | 30 417        |
| Payments made during the year   | (6 930)          | (1 951)       |
| <b>Environmental compliance</b>   | <b>5 000</b>     | 9 469         |
| Balance at beginning of year  | 9 469            | 9 469         |
| Provisions utilised during the year   | (4 469)          | —             |
| <b>Transfer to disposal groups held-for-sale</b>  | <b>(291)</b>     | —             |
|   | <b>128 081</b>   | 125 143       |
| <b>19 OVERDRAFTS</b>  |                  |               |
| Owing at end of year  | <b>584 472</b>   | 579 719       |
| Foreign subsidiary, Minerais U.S. LLC, maintains a US dollar denominated overdraft facility with a South African bank which provides it with the ability to borrow up to an aggregate of US\$97,5 million (2017: US\$97,5 million) to finance inventory and trade receivables all of which are insured against default. The facility is available on demand and has no expiry date. Interest on the facility accrues at a variable rate of 0,75% above LIBOR which at year-end was 1,93% (2017: 0,42%). The overdraft is guaranteed by the holding company. |                  |               |
| <b>20 REVENUE</b>   |                  |               |
| Revenue comprises:  |                  |               |
| Sales of mining and beneficiated products   | 6 301 946        | 5 941 992     |
| Commissions on sales and technical fees   | 979 005          | 920 055       |
| Investment income   | 520 146          | 353 512       |
| Interest received   | 502 368          | 349 322       |
| Dividends received from available-for-sale investments  | 17 778           | 4 190         |
| Other   | 3 640            | 8 400         |
|   | <b>7 804 737</b> | 7 223 959     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|  | 2018<br>R'000 | 2017<br>R'000 |
|--|---------------|---------------|
| <b>21 FINANCE COSTS</b>  |               |               |
| Paid and accrued on:   |               |               |
| Unwinding of discount on provisions (refer note 15)  | 6 559         | 7 659         |
| Overdraft facilities   | 12 835        | 12 003        |
|  | <b>19 394</b> | 19 662        |
| <b>22 PROFIT BEFORE TAXATION</b>   |               |               |
| Profit before tax is stated after taking into account the following items of income and expenditure: |               |               |
| <b>Income</b>  |               |               |
| Foreign exchange gains   | 59 827        | 11 779        |
| – realised   | 19 809        | 11 228        |
| – unrealised   | 40 018        | 551           |
| Profit on disposal of property, plant and equipment  | 6 697         | —             |
| <b>Expenditure</b>   |               |               |
| Amortisation of intangible assets (refer note 3)   | 49 971        | 26 572        |
| Cost of inventories written down (refer note 6)  | 11 334        | 10 860        |
| Depreciation and impairment charges of property, plant and equipment (refer note 2)                  | 134 755       | 130 484       |
| Depreciation   | 125 236       | 130 484       |
| – land and buildings   | 547           | 391           |
| – plant, machinery and equipment   | 48 330        | 42 611        |
| – vehicles   | 52 497        | 79 700        |
| – furniture, fittings and office equipment   | 19 159        | 3 912         |
| – mine properties  | 4 666         | 3 847         |
| – prospecting, exploration, mine development and decommissioning assets                              | 37            | 23            |
| Impairment of furniture, fittings and office equipment   | 9 519         | —             |
| Impairment of non-financial assets (refer note 35.2)   | 21 564        | —             |
| Realised foreign exchange losses   | 6 896         | 401           |
| Loss on disposal of property, plant and equipment  | 119           | —             |
| Operating lease expenses   | 12 320        | 1 213         |
| Professional fees  | 56 344        | 21 264        |
| Secretarial fees   | 604           | 990           |
| Mining royalty taxes   | 138 938       | 178 148       |
| – chrome   | 138 543       | 177 981       |
| – other  | 395           | 167           |
| Staff costs  |               |               |
| – salaries and wages (included in cost of sales)   | 683 997       | 650 626       |
| – salaries and wages (including executive directors' emoluments)                                     | 369 012       | 327 264       |
| – contributions to medical aid funds   | 6 660         | 5 336         |
| – pension fund costs (refer note 34)   | 26 805        | 49 984        |

## 23 TAXATION

### South Africa normal taxation

|  |  |
|--|--|
| – current year   |  |
| – overprovision relating to prior years                            |  |
| Deferred taxation  |  |
| – arising on temporary differences in current year                 |  |
| Securities transfer taxation on redemption of preference dividends |  |
| Dividend withholding tax, paid on treasury shares                  |  |
| Withholding tax on management fees paid in foreign jurisdiction    |  |

Estimated losses available for the reduction of future taxable income arising in certain subsidiary companies, which are not on care and maintenance at year-end, for which no deferred taxation assets have been raised. These losses are current and have not expired.

### Reconciliation of the taxation charge as a percentage of profit before taxation

|   |  |
|---|--|
| Statutory tax rate  |  |
| Adjusted for:   |  |
| Exempt income   |  |
| Dissallowable expenditure <sup>#</sup>                          |  |
| Overprovision relating to prior years                           |  |
| Deferred taxation assets not recognised                         |  |
| Securities transfer taxation on redemption of preference shares |  |
| Dividend withholding tax, paid on treasury shares               |  |
| Withholding tax on management fees paid in foreign jurisdiction |  |
| Other items   |  |
| Effective tax rate  |  |

| 2018<br>R'000   | 2017<br>R'000 |
|-----------------|---------------|
|                 |               |
| <b>631 079</b>  | 579 010       |
| <b>(12 230)</b> | —             |
| <b>10 880</b>   | (2 709)       |
| <b>905</b>      | 1 282         |
| <b>13 287</b>   | 5 837         |
| <b>1 625</b>    | —             |
| <b>645 546</b>  | 583 420       |
| <b>72 589</b>   | 55 307        |
| <b>%</b>        | <b>%</b>      |
| <b>28,00</b>    | 28,00         |
| <b>(1,30)</b>   | (8,41)        |
| <b>1,06</b>     | 1,81          |
| <b>(0,53)</b>   | —             |
| <b>—</b>        | 2,12          |
| <b>0,04</b>     | 0,05          |
| <b>0,57</b>     | 0,24          |
| <b>0,07</b>     | —             |
| <b>—</b>        | (0,21)        |
| <b>27,91</b>    | 23,60         |

<sup>#</sup> Disallowable expenditure relates to finance costs on preference shares, legal and professional fees and other expenses of a capital nature not qualifying for deductions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|   | 2018             | 2017             |
|---|------------------|------------------|
| <b>24 EARNINGS AND HEADLINE EARNINGS PER SHARE</b>                        |                  |                  |
| <b>Earnings and headline earnings per share (cents)</b>                   |                  |                  |
| Earnings per share (basic and diluted)                                    | 4 963            | 4 867            |
| Headline earnings per share (basic and diluted)                           | 4 953            | 5 049            |
| The above calculations were determined using the following information:   |                  |                  |
|   | <b>R'000</b>     | R'000            |
| <b>Earnings</b>   |                  |                  |
| Profit attributable to shareholders of the holding company                | 5 119 329        | 5 021 171        |
| <b>Headline earnings</b>  |                  |                  |
| Earnings as above   | 5 119 329        | 5 021 171        |
| Adjusted for:   |                  |                  |
| Profit on disposal of available-for-sale listed investments               | (42 432)         | —                |
| – before taxation   | (42 432)         | —                |
| – taxation effect   | —                | —                |
| Profit on disposal of property, plant and equipment in subsidiaries       | (5 105)          | —                |
| – before taxation (refer note 22)   | (6 578)          | —                |
| – taxation effect   | 1 473            | —                |
| Gain on disposal of investment in associate                               | (5 835)          | —                |
| – before taxation   | (8 104)          | —                |
| – taxation effect   | 2 269            | —                |
| Impairment of non-financial assets in joint-venture entity                | 18 684           | 70 414           |
| – before taxation (refer note 1)  | 25 950           | 96 501           |
| – taxation effect   | (7 266)          | (26 087)         |
| Impairment of furniture, fittings and office equipment                    | 6 854            | —                |
| – before taxation (refer note 2)  | 9 519            | —                |
| – taxation effect   | (2 665)          | —                |
| Impairment of non-financial assets  | 15 526           | —                |
| – before taxation (refer note 35.2)                                       | 21 564           | —                |
| – taxation effect   | (6 038)          | —                |
| Loss on disposal of property, plant and equipment in joint-venture entity | 1 731            | 1 202            |
| – before taxation   | 2 230            | 1 670            |
| – taxation effect   | (499)            | (468)            |
| Impairment of Dwarsrivier upon sale in joint-venture entity               | —                | 373 014          |
| Bargain purchase gain (Dwarsrivier) (refer note 35.1)                     | —                | (256 755)        |
|   | <b>5 108 752</b> | <b>5 209 046</b> |
| <b>Shares in issue</b>  |                  |                  |
| Weighted number of ordinary shares in issue ('000)                        |                  |                  |
| Ordinary shares in issue  | 139 607          | 139 607          |
| Treasury shares held in trust   | (36 456)         | (36 430)         |
| Weighted average number of shares in issue for the year                   | <b>103 151</b>   | <b>103 177</b>   |

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## 25 DIVIDENDS

### Dividends declared during the year

Final dividend No 121 of 800 cents (2017: 500 cents) per share – declared on 29 August 2017

Interim dividend No 122 of 1,000 cents (2017: 600 cents) per share – declared on 20 February 2018

Total dividend for the year

Less: Dividends attributable to treasury shares

Per share (cents)

### Dividends relating to the activities of the group for the year under review

Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018

Final dividend No 123 of 1 200 cents (2017: 800 cents) per share – declared on 5 September 2018

Less: Dividends attributable to treasury shares

Per share (cents)

|  | 2018<br>R'000    | 2017<br>R'000 |
|--|------------------|---------------|
|  | <b>1 116 856</b> | 698 035       |
|  | <b>1 396 070</b> | 837 642       |
|  | <b>2 512 926</b> | 1 535 677     |
|  | <b>(656 207)</b> | (400 400)     |
|  | <b>1 856 719</b> | 1 135 277     |
|  | <b>1 800</b>     | 1 100         |
|  | <b>1 396 070</b> | 837 642       |
|  | <b>1 675 284</b> | 1 116 856     |
|  | <b>(800 800)</b> | (510 020)     |
|  | <b>2 270 554</b> | 1 444 478     |
|  | <b>2 200</b>     | 1 400         |
|  | <b>2 312 472</b> | 2 472 277     |
|  | <b>(502 368)</b> | (349 322)     |
|  | <b>(17 778)</b>  | (4 190)       |
|  | <b>—</b>         | (256 755)     |
|  | <b>(6 578)</b>   | —             |
|  | <b>(52 931)</b>  | (11 378)      |
|  | <b>11 334</b>    | 10 860        |
|  | <b>125 236</b>   | 130 484       |
|  | <b>49 971</b>    | 26 572        |
|  | <b>9 519</b>     | —             |
|  | <b>21 564</b>    | —             |
|  | <b>(8 104)</b>   | —             |
|  | <b>(42 432)</b>  | —             |
|  | <b>19 394</b>    | 19 662        |
|  | <b>38 963</b>    | 49 618        |
|  | <b>10 271</b>    | 1 463         |
|  | <b>1 968 533</b> | 2 089 291     |

## 26 NOTES TO THE STATEMENT OF CASH FLOW

### 26.1 Cash generated from operations

Profit before taxation

Adjusted for:

– interest received

– dividends received

– bargain purchase gain (refer note 35.1)

– net profit on disposal of property, plant and equipment

– net foreign exchange gains

– cost of inventories written down

– depreciation of property, plant and equipment

– amortisation of intangible assets

– impairment of property, plant and equipment

– impairment of non-financial assets

– gain on disposal of investment in associate

– profit on sale of available-for-sale listed investments

– finance costs

– movements in long-term provisions

– cash-settled share-based payment charges

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|   | 2018<br>R'000      | 2017<br>R'000      |
|---|--------------------|--------------------|
| <b>26 NOTES TO THE STATEMENT OF CASH FLOW (continued)</b>         |                    |                    |
| <b>26.2 Movements in working capital</b>                          |                    |                    |
| Movement in inventories   | (138 922)          | 270 070            |
| Movement in foreign currency translation                          | 15 583             | (69 621)           |
| Movement in trade and other receivables                           | (117 995)          | (454 375)          |
| Movement in trade and other payables                              | 747 333            | 399 573            |
| Payments against short-term provisions                            | (150 176)          | (33 659)           |
|   | <b>355 823</b>     | <b>111 988</b>     |
| <b>26.3 Finance costs</b>   |                    |                    |
| Finance costs per income statement                                | (19 394)           | (19 662)           |
| Unwinding of discount on environmental obligations                | 6 559              | 7 659              |
|   | <b>(12 835)</b>    | <b>(12 003)</b>    |
| <b>26.4 Taxation paid</b>   |                    |                    |
| Unpaid at beginning of year                                       | (72 532)           | (39 348)           |
| Charged to the income statement                                   | (645 546)          | (583 420)          |
| Movement in deferred taxation                                     | 10 880             | (2 709)            |
| Unpaid at end of year   | 24 059             | 72 532             |
|   | <b>(683 139)</b>   | <b>(552 945)</b>   |
| <b>26.5 Dividends paid to shareholders of the holding company</b> |                    |                    |
| Unpaid at beginning of year                                       | (3 112)            | (2 623)            |
| Declared during the year (refer note 25)                          | (2 512 926)        | (1 535 677)        |
| Dividends attributable to treasury shares (refer note 25)         | 656 207            | 400 400            |
| Unpaid at end of year included in other payables                  | 4 307              | 3 112              |
|   | <b>(1 855 524)</b> | <b>(1 134 788)</b> |

## 27 FINANCIAL RISK MANAGEMENT

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

- credit risk
- liquidity risk
- market risk

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

The boards of the individual companies in the group (boards) have overall responsibility for the establishment and oversight of the risk management framework. These boards have delegated these responsibilities to the group's Executive Committee, which is responsible for the development and monitoring of risk management within the group. The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the activities of the group.

The roles and responsibilities of the committees include:

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

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

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## 27 FINANCIAL RISK MANAGEMENT (continued)

### 27.1 Credit risk

Credit risk arises from possible defaults on payments by customers or, where letters of credit have been issued, by bank counterparties. The group minimises credit risk by the careful evaluation of the ongoing creditworthiness of customers and bank counterparties before transactions are concluded. Certain customers which have a well-established credit history are allowed to transact on open account. The group maintains credit insurance on certain accounts in South Africa and all accounts established in the United States.

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

#### Credit exposure and concentrations of credit risk

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

|                                  | 2018<br>R'000    | 2017<br>R'000 |
|----------------------------------|------------------|---------------|
| Cash resources                   | 8 449 797        | 5 626 778     |
| Trade receivables                | 585 526          | 825 334       |
| – local                          | 226 196          | 128 343       |
| – foreign                        | 359 330          | 696 991       |
| Other receivables (refer note 7) | 636 801          | 278 998       |
|                                  | <b>9 672 124</b> | 6 731 110     |

  

|  | 2018<br>Carrying<br>amount of<br>receivables<br>not impaired<br>R'000 | 2017<br>Carrying<br>amount of<br>receivables<br>not impaired<br>R'000 |
|--|---|---|
| <b>Trade receivables</b>                         | <b>585 526</b>  | 825 334   |
| Not past due, not impaired (refer note 7)        | 555 207   | 790 788   |
| Past due, not impaired as considered recoverable | 30 319  | 34 546  |
| <b>Other receivables</b>                         | <b>636 801</b>  | 278 998   |
| Not past due, not impaired                       | 1 222 327   | 1 104 332   |

### 27.2 Liquidity risk

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

Surplus funds are deposited with large South African banks, either on call, or on term deposits, taking into account the Executive Committee's views on interest rates.

#### Undrawn credit facilities

In terms of the Memorandum of Incorporation (MoI) of the holding company, its borrowing powers are unlimited.

The holding company has facilities in place to issue letters of credit and bank guarantees where required and to ensure liquidity (refer note 31). Subsidiary company, Minerais U.S. LLC, has a banking facility in place secured by a holding company guarantee, to finance its inventory and receivables, which bear interest at a rate linked to LIBOR. At year-end, the facility was US\$97,5 million (2017: US\$97,5 million), of which US\$42 600 000 (2017: US\$44 500 000) was utilised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 27 FINANCIAL RISK MANAGEMENT (continued)

#### Exposure to liquidity risk

The following table indicates the anticipated timing of cash flows for the group's financial assets and liabilities, including guarantees at year-end as determined by contractual maturity date including interest receipts and payment:

|                                  | Carrying amount<br>R'000 | Total expected cash flows<br>R'000 | Contracted maturity date    |                                  |                                | More than 5 years<br>R'000 |
|----------------------------------|--------------------------|------------------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------|
|                                  |                          |                                    | Less than 4 months<br>R'000 | Between 4 and 12 months<br>R'000 | Between 1 and 5 years<br>R'000 |                            |
| <b>2018</b>                      |                          |                                    |                             |                                  |                                |                            |
| <b>Financial assets</b>          |                          |                                    |                             |                                  |                                |                            |
| Listed and unlisted investments# | 269 571                  | 269 571                            | —                           | —                                | —                              | 269 571                    |
| Long-term loan                   | 6 000                    | 6 000                              | —                           | —                                | 6 000                          | —                          |
| Trade and other receivables      | 1 222 327                | 1 222 327                          | 1 222 327                   | —                                | —                              | —                          |
| Cash resources                   | 8 449 797                | 8 449 797                          | 8 449 797                   | —                                | —                              | —                          |
|                                  | <b>9 947 695</b>         | <b>9 947 695</b>                   | <b>9 672 124</b>            | <b>—</b>                         | <b>6 000</b>                   | <b>269 571</b>             |
| <b>Financial liabilities</b>     |                          |                                    |                             |                                  |                                |                            |
| Trade and other payables         | 2 039 587                | 2 039 587                          | 2 039 587                   | —                                | —                              | —                          |
| Overdrafts                       | 584 472                  | 584 472                            | 584 472                     | —                                | —                              | —                          |
| Guarantees                       | 359 797                  | 359 797                            | 359 797                     | —                                | —                              | —                          |
|                                  | <b>2 983 856</b>         | <b>2 983 856</b>                   | <b>2 983 856</b>            | <b>—</b>                         | <b>—</b>                       | <b>—</b>                   |
| <b>2017</b>                      |                          |                                    |                             |                                  |                                |                            |
| <b>Financial assets</b>          |                          |                                    |                             |                                  |                                |                            |
| Listed and unlisted investments# | 253 474                  | 253 474                            | —                           | —                                | —                              | 253 474                    |
| Trade and other receivables      | 1 104 332                | 1 104 332                          | 1 104 332                   | —                                | —                              | —                          |
| Cash resources                   | 5 626 778                | 5 626 778                          | 5 626 778                   | —                                | —                              | —                          |
|                                  | <b>6 984 584</b>         | <b>6 984 584</b>                   | <b>6 731 110</b>            | <b>—</b>                         | <b>—</b>                       | <b>253 474</b>             |
| <b>Financial liabilities</b>     |                          |                                    |                             |                                  |                                |                            |
| Trade and other payables         | 1 500 487                | 1 500 487                          | 1 500 487                   | —                                | —                              | —                          |
| Overdrafts                       | 579 719                  | 579 719                            | 579 719                     | —                                | —                              | —                          |
| Guarantees                       | 307 362                  | 307 362                            | 307 362                     | —                                | —                              | —                          |
|                                  | <b>2 387 568</b>         | <b>2 387 568</b>                   | <b>2 387 568</b>            | <b>—</b>                         | <b>—</b>                       | <b>—</b>                   |

#These investments do not have contractual maturities.

#### 27.3 Market risk

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

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



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## 27 FINANCIAL RISK MANAGEMENT (continued)

### 27.3 Market risk (continued)

#### 27.3.1 Interest rate risk

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

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

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

|                                  | 2018<br>R'000 | 2017<br>R'000 |
|----------------------------------|---------------|---------------|
| <b>Variable rate instruments</b> |               |               |
| <b>Liabilities</b>               |               |               |
| Overdrafts (refer note 19)       | 584 472       | 579 719       |
| <b>Assets</b>                    |               |               |
| Cash resources (refer note 9)    | 7 763 797     | 2 127 249     |

#### Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points in interest rates applicable to variable rate instruments at the reporting date would have increased profit after taxation by R25 845 000 (2017: R5 571 000). This assumes that all other variables remain constant. There is no impact on the group's equity. Net effect on profit or loss is equal but opposite for a 50 basis points decrease in interest rates on the variable instruments listed above.

#### Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

#### 27.3.2 Commodity price and currency risk

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

The group manages its commodity price risk, to which it is exposed through its investment in Assmang, by concluding supply contracts with certain customers for periods of up to three months. Contracts with other customers contain retrospective pricing arrangements which may impact the group either positively or negatively. With respect to its exposure to foreign currency fluctuations, the group constantly reviews the extent to which its foreign currency exposures are covered by forward exchange contracts, taking into account changes in operational forecasts and market conditions and the group's hedging policy (refer "Forward exchange contracts and other commitments" below).

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

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| Foreign receivables included in trade receivables |               |               |
| – US dollar denominated                           | 359 330       | 696 991       |
| Foreign overdraft (refer note 19)                 |               |               |
| – US dollar denominated                           | 584 472       | 579 719       |
| Total exposure at year-end                        | 943 802       | 1 276 710     |

#### Foreign currency sensitivity analysis

A 5% strengthening of the rand against the US dollar would have decreased profit or loss for the year by R33 976 000 (2017: R45 962 000) as a result of revaluation of foreign denominated balances. A 5% weakening of the rand against the abovementioned currencies would have had an equal but opposite effect on profit and loss, on the basis that all other variables remained constant.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 27 FINANCIAL RISK MANAGEMENT (continued)

#### 27.3 MARKET RISK (continued)

##### Forward exchange contracts and other commitments

The group undertakes economic hedging of receivables denominated in US dollar at times when the rand/US dollar exchange rate appears volatile. The level of exposure on these limited hedging activities did not exceed US\$100 million (2017: US\$100 million) at any stage during the year.

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

|                           | 2018                                |  | 2017                                |  |
|---------------------------|-------------------------------------|--|-------------------------------------|--|
|                           | Foreign currency amount<br>US\$'000 | Presentation currency notional amount<br>R'000 | Foreign currency amount<br>US\$'000 | Presentation currency notional amount<br>R'000 |
| <b>Purchase contracts</b> |                                     |  |                                     |  |
| US dollar                 | 42 700                              | 585 844  | 35 900                              | 475 958  |
| <b>Sales contracts</b>    |                                     |  |                                     |  |
| US dollar                 | 58 500                              | 802 620  | 58 900                              | 780 889  |

##### Equity price risk

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

At the reporting date, the exposure to listed investments at fair value was R262,0 million (2017: R229,0 million). A decrease of 1% on the relevant market index would have an impact of approximately R2,6 million (2017: R2,3 million) on other comprehensive income attributable to the group, depending on whether or not the decline is significant or prolonged. An increase of 1% in the value of the listed investments would only impact other comprehensive income, but would not have an effect on profit or loss unless the shares are sold or fall below cost.

### 28 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The categorisation of each class of financial asset and liability in terms of IAS 39: *Financial Instruments: Recognition and Measurement* is included below:

|                                 | Available-for-sale investments<br>R'000 | Loans and receivables<br>R'000 | Liabilities at amortised cost<br>R'000 | Total carrying value<br>R'000 |
|---------------------------------|---|--------------------------------|--|-------------------------------|
| <b>2018</b>                     |   |                                |  |                               |
| <b>Financial assets</b>         |   |                                |  |                               |
| Listed and unlisted investments | 269 571                                 | —                              |  | 269 571                       |
| Long-term loan                  | —                                       | 6 000                          |  | 6 000                         |
| Trade and other receivables     | —                                       | 1 222 327                      |  | 1 222 327                     |
| Cash resources                  | —                                       | 8 449 797                      |  | 8 449 797                     |
|                                 | 269 571                                 | 9 678 124                      |  | 9 947 695                     |
| <b>Financial liabilities</b>    |   |                                |  |                               |
| Trade and other payables        |   |                                | 2 039 587                              | 2 039 587                     |
| Overdrafts                      |   |                                | 584 472                                | 584 472                       |
|                                 |   |                                | 2 624 059                              | 2 624 059                     |

## 28 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

The classification of financial assets and liabilities is included below:

|                                 | Available-<br>for-sale<br>investments<br>R'000 | Loans and<br>receivables<br>R'000 | Liabilities at<br>amortised<br>cost<br>R'000 | Total<br>carrying<br>value<br>R'000 |
|---------------------------------|--|-----------------------------------|--|-------------------------------------|
| <b>2017</b>                     |  |                                   |  |                                     |
| <b>Financial assets</b>         |  |                                   |  |                                     |
| Listed and unlisted investments | 253 474  | —                                 |  | 253 474                             |
| Trade and other receivables     | —  | 1 104 332                         |  | 1 104 332                           |
| Cash resources                  | —  | 5 626 778                         |  | 5 626 778                           |
|                                 | 253 474  | 6 731 110                         |  | 6 984 584                           |
| <b>Financial liabilities</b>    |  |                                   |  |                                     |
| Trade and other payables        |  |                                   | 1 500 487                                    | 1 500 487                           |
| Overdrafts                      |  |                                   | 579 719                                      | 579 719                             |
|                                 |  |                                   | 2 080 206                                    | 2 080 206                           |

### Determination of fair values

Available-for-sale instruments are valued using quoted market prices. The values of other investments and forward exchange contracts are determined using directly observable inputs. The carrying amounts of all other financial assets and liabilities approximate their fair values.

### Fair value hierarchy

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

- Level 1: quoted prices in an active market that are unadjusted for identical assets or liabilities;
- Level 2: valuation techniques using inputs, which are directly or indirectly observable; and
- Level 3: valuations based on data that is not observable (not applicable to the group).

The values of all other instruments recognised, but not subsequently measured at fair value, approximate fair value. The following assets, all measured at level 1, were required to be recorded at fair value:

|  | 2018<br>R'000 | 2017<br>R'000 |
|--|---------------|---------------|
| <b>Recurring fair value measurements</b> |               |               |
| <b>Assets measured at fair value</b>     |               |               |
| Available-for-sale listed investments    | 262 003       | 229 376       |
| Available-for-sale unlisted investments  | 7 568         | 24 098        |
|  | 269 571       | 253 474       |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 29 CAPITAL MANAGEMENT

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

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

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

### 30 COMMITMENTS

At year-end, the group had the following commitments:

|  | 2018<br>R'000  | 2017<br>R'000 |
|--|----------------|---------------|
| <b>Capital</b>   |                |               |
| Expenditure authorised and contracted for  | <b>229 906</b> | —             |
| Expenditure authorised but not contracted for  | <b>102 583</b> | 101 164       |
|  | <b>332 469</b> | 101 164       |
| <b>Operating lease commitments</b>   |                |               |
| Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows:                  |                |               |
| Within one year  | <b>1 310</b>   | 1 230         |
| After one year but not more than five years  | <b>3 149</b>   | 1 737         |
| The group's commitments will be met by future anticipated cash flows   | <b>4 459</b>   | 2 967         |
| <b>31 CONTINGENT LIABILITIES</b>   |                |               |
| Guarantees issued  |                |               |
| Guarantees issued by holding company to bankers to secure short-term export facility <sup>#</sup>  | <b>180 000</b> | 180 000       |
| Cash-covered guarantees issued by bankers to the Department of Mineral Resources for rehabilitation required on the group's mines (refer note 9) | <b>70 660</b>  | 71 261        |
| Performance guarantees issued to third parties by subsidiary companies   | <b>21 244</b>  | 26 101        |
| Financial guarantee issued to third party by subsidiary company  | <b>87 893</b>  | 30 000        |
|  | <b>359 797</b> | 307 362       |

<sup>#</sup> The facility is primarily utilised for and on behalf of Assmang in which the group holds a 50% interest and which in turn has provided a back-to-back guarantee against any claims made by bankers in terms of this facility. The facility was unused at year-end.

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## 32 SEGMENTAL INFORMATION

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

### Joint venture mining and beneficiation

Assore's principal investment is its 50% share in Assmang Proprietary Limited (Assmang).

Assmang's operations are managed by commodity mined and, where applicable, beneficiated at various works operations.

Accordingly, this segment is further analysed as follows:

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

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

### Dwarsrivier

Dwarsrivier is a 100% owned mine, producer and beneficiator of chrome ores.

### Marketing and shipping

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

### Other mining activities, eliminations and adjustments

This segment contains the chrome operations managed by Rustenburg Minerals Development Company Proprietary Limited, Zeerust Chrome Mines Limited (both on care and maintenance), the pyrophyllite and ceramic operations of Wonderstone Limited and adjustments necessary to give effect to the impact of equity-accounting the results of Assmang and other consolidation adjustments. These adjustments were previously disclosed separately.

| R'000  | Joint venture mining and beneficiation |                    |                 |            | Sub-total | Dwarsrivier | Marketing and distribution | Other mining activities, eliminations and adjustments | Total |
|--|--|--------------------|-----------------|------------|-----------|-------------|----------------------------|---|-------|
|  | Iron Ore division                      | Manganese division | Chrome division |            |           |             |                            |   |       |
| <b>Year to 30 June 2018</b>                      |  |                    |                 |            |           |             |                            |   |       |
| Revenues   |  |                    |                 |            |           |             |                            |   |       |
| Third party                                      | 15 135 316                             | 12 859 636         | 180 309         | 28 175 261 | 3 892 752 | 3 974 210   | (28 237 486)               | 7 804 737   |       |
| Inter-segment                                    | —                                      | —                  | —               | —          | —         | 18 305      | (18 305)                   | —   |       |
| Total revenues                                   | 15 135 316                             | 12 859 636         | 180 309         | 28 175 261 | 3 892 752 | 3 992 515   | (28 255 791)               | 7 804 737   |       |
| Contribution to profit/(loss) for the year*      | 3 343 512                              | 3 771 662          | (41 650)        | 7 073 524  | 875 378   | 703 879     | (6 985 855)                | 1 666 926   |       |
| Contribution to headline earnings#               | 3 343 350                              | 3 807 585          | (41 650)        | 7 109 285  | 875 378   | 710 733     | (3 586 644)                | 5 108 752   |       |
| Impairment of financial and non-financial assets | —                                      | (51 900)           | —               | (51 900)   | —         | (9 519)     | 12 490                     | (48 929)  |       |
| <b>Statement of financial position</b>           |  |                    |                 |            |           |             |                            |   |       |
| Consolidated total assets                        | 23 149 661                             | 17 988 956         | 524 319         | 41 662 936 | 3 884 794 | 25 300 630  | (41 475 033)               | 29 373 327  |       |
| Consolidated total liabilities                   | 6 076 881                              | 3 190 147          | 426 352         | 9 693 380  | 1 071 744 | 1 859 703   | (9 301 862)                | 3 322 965   |       |
| <b>Other information</b>                         |  |                    |                 |            |           |             |                            |   |       |
| Finance income                                   | 578 044                                | 19 471             | —               | 597 515    | 87 554    | 407 224     | (572 147)                  | 520 146   |       |
| Finance costs                                    | 33 855                                 | 34 191             | —               | 68 046     | 5 304     | 12 474      | (66 430)                   | 19 394  |       |
| Depreciation and amortisation                    | 1 400 776                              | 593 768            | 8 287           | 2 002 831  | 130 794   | 16 066      | (2 024 455)                | 125 236   |       |
| Taxation   | 1 431 656                              | 1 489 299          | —               | 2 920 955  | 277 438   | 317 189     | (2 870 036)                | 645 546   |       |
| Capital expenditure                              | 1 780 830                              | 1 285 846          | 15 528          | 3 082 204  | 333 804   | 32 971      | (3 044 858)                | 404 121   |       |

\* Profit after taxation, before joint-venture entity and foreign listed associate.

# Includes equity-accounted results of Assmang and IronRidge.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 32 SEGMENTAL INFORMATION (continued) Other mining and beneficiation (continued)

| R'000  | Joint venture mining and beneficiation |                    |                 | Sub-total  | Marketing and distribution | Other mining and beneficiation | Adjustments arising on consolidation | Total      |
|--|--|--------------------|-----------------|------------|----------------------------|--------------------------------|--------------------------------------|------------|
|  | Iron Ore division                      | Manganese division | Chrome division |            |                            |                                |                                      |            |
| <b>Year to 30 June 2017</b>                      |  |                    |                 |            |                            |                                |                                      |            |
| Revenues   |  |                    |                 |            |                            |                                |                                      |            |
| Third party                                      | 16 398 968                             | 10 238 065         | 207 764         | 26 844 797 | 3 410 363                  | 3 573 061                      | (26 604 262)                         | 7 223 959  |
| Inter-segment                                    | —                                      | —                  | —               | —          | —                          | 121 286                        | (121 286)                            | —          |
| Total revenues                                   | 16 398 968                             | 10 238 065         | 207 764         | 26 844 797 | 3 410 363                  | 3 694 347                      | (26 725 548)                         | 7 223 959  |
| Contribution to profit/(loss) for the year*      | 4 372 631                              | 2 181 569          | (6 746)         | 6 547 454  | 843 199                    | 1 071 298                      | (6 573 094)                          | 1 888 857  |
| Contribution to headline earnings#               | 4 373 877                              | 2 321 686          | 749 337         | 7 444 900  | 843 199                    | 653 423                        | (3 732 476)                          | 5 209 046  |
| Impairment of financial and non-financial assets | —                                      | (138 976)          | (746 007)       | (884 983)  | —                          | —                              | 442 491                              | (442 492)  |
| <b>Statement of financial position</b>           |  |                    |                 |            |                            |                                |                                      |            |
| Consolidated total assets                        | 25 571 400                             | 13 519 306         | 554 089         | 39 644 795 | 1 511 650                  | 23 589 330                     | (39 201 542)                         | 25 544 233 |
| Consolidated total liabilities                   | 5 930 711                              | 2 754 092          | 414 120         | 9 098 923  | 824 167                    | 1 823 961                      | (9 050 472)                          | 2 696 579  |
| <b>Other information</b>                         |  |                    |                 |            |                            |                                |                                      |            |
| Finance income                                   | 531 544                                | 12 120             | —               | 543 664    | 29 897                     | 312 508                        | (536 746)                            | 349 323    |
| Finance costs                                    | 54 997                                 | 40 004             | —               | 95 001     | 5 838                      | 9 176                          | (90 353)                             | 19 662     |
| Depreciation and amortisation                    | 1 417 197                              | 465 250            | —               | 1 882 447  | 137 439                    | 6 409                          | (1 871 807)                          | 154 488    |
| Taxation   | 1 864 503                              | 911 241            | (2 622)         | 2 773 122  | 297 014                    | 273 031                        | (2 759 747)                          | 583 420    |
| Capital expenditure                              | 1 168 975                              | 1 648 006          | —               | 2 816 981  | 140 581                    | 2 361                          | (2 810 064)                          | 149 859    |

\* Profit after taxation, before joint-venture entity and foreign listed associate.

# Includes equity-accounted results of Assmang and IronRidge.

#### Geographical information

##### Geographical segment by location of customers

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

| Customers by location | 2018                             |  |             | 2017                             |  |             |
|-----------------------|----------------------------------|--|-------------|----------------------------------|--|-------------|
|                       | Assmang revenue by segment R'000 | Subsidiaries' revenue by segment R'000 | Total R'000 | Assmang revenue by segment R'000 | Subsidiaries' revenue by segment R'000 | Total R'000 |
| Far East              | 19 960 513                       | 3 352 102                              | 23 312 615  | 20 155 728                       | 3 070 845                              | 23 226 573  |
| Europe                | 2 507 924                        | 77 110                                 | 2 585 034   | 1 583 640                        | 40 191                                 | 1 623 831   |
| USA                   | 976 274                          | 2 740 625                              | 3 716 899   | 550 246                          | 2 421 439                              | 2 971 685   |
| South Africa          | 4 625 716                        | 1 634 900                              | 6 260 616   | 3 946 475                        | 1 486 862                              | 5 433 337   |
| Other – foreign       | 104 834                          | —                                      | 104 834     | 43 929                           | 204 622                                | 248 551     |
| Total                 | 28 175 261                       | 7 804 737                              | 35 979 998  | 26 280 018                       | 7 223 959                              | 33 503 977  |

Notes:

1. There are no customers whose off-take represents more than 10% of revenue (2017: Rnil million)

2. The revenue of Assmang (refer note 1) is excluded from the group's reported revenue, in terms of the application of IFRS 11: *Joint arrangements*.

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### 33 RELATED-PARTY TRANSACTIONS

Transactions with related parties are concluded at arm's length and under similar terms and conditions to third parties. The following entities were identified as related parties to the group:

|   |                                      |
|---|--------------------------------------|
| African Mining and Trust Company Limited (AMT)  | Subsidiary company                   |
| African Rainbow Minerals (ARM)  | Joint-venture partner                |
| Assmang Limited (Assmang)   | Joint-venture entity                 |
| Assore Employee Trust (AET)   | Empowerment entity                   |
| Boleng Trust (Boleng)   | Empowerment entity                   |
| Ceramox Proprietary Limited (Ceramox)   | Subsidiary company                   |
| Dakot Wear Ceramic Proprietary Limited (Dakot) 40%  | Associate                            |
| Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier)   | Subsidiary company                   |
| ERF Parkview Extension 1 Proprietary Limited (Parkview)   | Subsidiary company                   |
| Erven 27 & 28 Proprietary Limited (Erven 27 & 28)   | Subsidiary company                   |
| Erven 40 & 41 Proprietary Limited (Erven 40 & 41)   | Subsidiary company                   |
| Fricker Road Trust (Fricker)  | Empowerment entity                   |
| General Nominees Proprietary Limited (General Nominees)   | Subsidiary company                   |
| Group Line Projects Proprietary Limited (GroupLine)   | Subsidiary company                   |
| IronRidge Resources (IronRidge) 28.91% (2017: 29.90%)   | Associate                            |
| Krantzberg Mines Proprietary Limited  | Subsidiary company                   |
| Main Street 350 Proprietary Limited (Main Street 350)   | Empowerment entity                   |
| Main Street 460 Proprietary Limited (Main Street 460)   | Empowerment entity                   |
| Main Street 904 Proprietary Limited (Main Street 904)   | Empowerment entity                   |
| Minerais Holdings Proprietary Limited (Minerais Holdings)   | Subsidiary company                   |
| Minerais U.S. LLC (shareholding: 51% (2017: 51%) (Minerais))  | Subsidiary company                   |
| Ore & Metal Company Limited (Ore & Metal)   | Subsidiary company                   |
| Oresteel Investments Proprietary Limited (Oresteel)   | Ultimate holding company             |
| Rustenburg Minerals Development Company Proprietary Limited (shareholding: 56% (2017: 56%) (Rustenburg Minerals)) | Subsidiary company                   |
| Sumitomo Corporation (Sumitomo)   | Investor in ultimate holding company |
| Wonderstone Limited (Wonderstone)   | Subsidiary company                   |
| Wonderstone 1937 Limited (Wonderstone 1937)   | Subsidiary company                   |
| Xertech Proprietary Limited (Xertech)   | Subsidiary company                   |
| Zeerust Chrome Mines Proprietary Limited (Zeerust)  | Subsidiary company                   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 33 RELATED-PARTY TRANSACTIONS (continued)

#### 33.1 Details of transactions with related parties

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

|  |  | 2018<br>R'000    | 2017<br>R'000    |
|--|--|------------------|------------------|
| AMT  | Commissions received from Assmang                | 433 140          | 427 189          |
|  | Management fees received from Dwarsrivier        | 18 000           | 6 540            |
|  | Management fee received from fellow subsidiaries | 375              | 375              |
| Assore Employee Trust  | Dividend received from Main Street 904           | 33 400           | 20 411           |
| Boleng Trust   | Trickle dividend received from Main Street 350   | 6 095            | 2 500            |
|  | Dividend received from Fricker Road Trust        | 20 000           | 8 000            |
| Fricker Road Trust   | Dividend received from Main Street 904           | 34 183           | 21 823           |
| Main Street 350  | Dividend received from Assore Limited            | 82 234           | 50 254           |
|  | Dividend received from Main Street 460           | 276 606          | 169 037          |
| Main Street 460  | Dividend received from Assore Limited            | 276 606          | 169 037          |
| Main Street 904  | Dividend received from Assore Limited            | 296 360          | 181 109          |
| Minerais U.S. LLC  | Commissions received from Assmang                | 22 401           | 20 720           |
| Minerais Holdings  | Dividend received from Minerais U.S. LLC         | 54 300           | 5 810            |
| Ore & Metal  | Commissions received from Assmang                | 491 016          | 467 717          |
|  | Commissions received from Dwarsrivier            | 135 415          | 114 371          |
|  | Dividend received from Minerais Holdings         | 39 900           | 5 810            |
| Sumitomo   | Commissions paid by Ore & Metal                  | 204 412          | 204 794          |
| Key management personnel   |  | 2 724            | 2 365            |
| – holding company  | Directors' fees                                  |                  |                  |
| – subsidiary companies   | Remuneration (including executive directors)     | 178 694          | 191 343          |
|  | Post-employment benefits                         | 12 914           | 12 173           |
| Amounts payable to/receivable from related parties at end of the year  |  |                  |                  |
| ARM  | Amounts receivable from Ore & Metal              | 12 517           | 2 245            |
| AMT  | Amounts receivable from Ore & Metal              | 196 555          | 462 033          |
| Dwarsrivier  | Amounts receivable from Ore & Metal              | 695              | 11 443           |
| Main Street 904  | Preference dividend payable to Assore            | 642 288          | 606 850          |
| Minerais U.S. LLC  | Amounts payable to Ore & Metal                   | 115 959          | 99 433           |
| Ore & Metal  | Amounts payable to Assmang                       | 537 132          | 671 737          |
| Sumitomo   | Amounts receivable from Ore & Metal              | 18 576           | 13 159           |
| <b>33.2.1 Subsidiary with a material non-controlling interest</b>  |  |                  |                  |
| Minerais U.S. LLC (Minerais) a limited liability company registered in the state of New Jersey in the United States and Canada. Minerais is responsible for the marketing and sales administration of the group's products in these countries. The group holds a 51% (2017: 51%) interest in Minerais. |  |                  |                  |
| <b>Abridged income statement of Minerais U.S. LLC</b>  |  |                  |                  |
| Turnover   |  | 2 400 838        | 2 343 631        |
| Total comprehensive (loss)/profit (group interest therein 51% (2017: 51%))   |  | 62 120           | 101 315          |
| <b>Abridged statement of financial position of Minerais U.S. LLC</b>   |  |                  |                  |
| Non-current assets   |  | 2 220            | 1 249            |
| Current assets   |  |                  |                  |
| Inventories  |  | 738 902          | 682 988          |
| Trade and other receivables  |  | 508 698          | 334 167          |
| Cash resources   |  | 11 990           | 15 593           |
| <b>Total assets</b>  |  | <b>1 261 810</b> | <b>1 033 997</b> |
| Current liabilities  |  |                  |                  |
| Trade and other payables   |  | 485 875          | 276 682          |
| Ore and Metal Agency balance   |  | 115 988          | 99 433           |
| Overdrafts   |  | 584 472          | 579 719          |
| <b>Total liabilities</b>   |  | <b>1 186 336</b> | <b>955 834</b>   |
| <b>Net assets</b>  |  | <b>75 474</b>    | <b>78 163</b>    |
| Proportion of the group's ownership (%)  |  | 51,0             | 51,0             |
| Accumulated non-controlling interest (at 49%)  |  | 40 337           | 38 300           |



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### 33 RELATED-PARTY TRANSACTIONS (continued)

#### 33.1 Details of transactions with related parties (continued)

#### 33.2.2 Subsidiary with a material non-controlling interest

Rustenburg Minerals Development Company Proprietary Limited (Rustenburg Minerals), the principal business of which is the mining of chrome ores in the vicinity of Rustenburg, is a subsidiary of AMT. The group holds a 56% (2017: 56%) interest in Rustenburg Minerals.

|   | 2018<br>R'000    | 2017<br>R'000    |
|---|------------------|------------------|
| <b>Abridged income statement of Rustenburg Minerals</b>             |                  |                  |
| Turnover  | —                | 108 349          |
| Total comprehensive profit (group interest therein 56% (2017: 56%)) | (9 116)          | 45 040           |
| <b>Abridged statement of financial position of Minerals</b>         |                  |                  |
| Current assets  |                  |                  |
| Inventories   | 545              | 98               |
| Trade and other receivables   | 259              | 3 133            |
| Cash resources  | 273              | 538              |
| <b>Total assets</b>   | <b>1 077</b>     | <b>3 769</b>     |
| Long-term provisions  |                  |                  |
| Share-based payment liability                                       | 9 950            | 11 925           |
| Loans from group companies  | 2 907            | —                |
| Current liabilities   | 181 456          | 156 698          |
| Current liabilities   |                  |                  |
| Short-term provisions   | 250              | 6 553            |
| Trade and other payables  | 4 293            | 14 518           |
| <b>Total liabilities</b>  | <b>198 856</b>   | <b>189 694</b>   |
| <b>Net liabilities</b>  | <b>(197 779)</b> | <b>(185 925)</b> |
| Proportion of group's ownership (%)                                 | 56,0             | 56,0             |
| Accumulated non-controlling interest (at 44%)                       | (87 023)         | (81 807)         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 34 RETIREMENT BENEFIT INFORMATION

#### Pensions

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

All subsidiary companies provide retirement benefits through either a defined contribution fund (termed "umbrella fund") or a defined benefit fund.

#### Defined contribution fund

The group and employees contribute 10% and 5% of pensionable salary to the umbrella fund respectively. Contributions to the fund amounted to R2,0 million (2017: R2,0 million) and the value amounted to R14,7 million (2017: R12,6 million) at year-end. Decrease in the value of the fund is due to the retrenchments which occurred at Rustenburg Minerals during the year.

#### Defined benefit – Assore Pension Fund

In terms of the Pension Funds Act, the Assore Pension Fund is actuarially valued every three years. The most recently completed statutory actuarial valuation was performed as at 1 July 2017 and revealed a 121,4% funding level. An interim check was performed for funding purposes as at 1 July 2018, which revealed a 129,1% funding level (2017: 122%). The financial position of the fund at the dates of the interim funding checks is set out below:

|  | 2018<br>R'000  | 2017<br>R'000  |
|--|----------------|----------------|
| Change in defined benefit obligation                               |                |                |
| Benefit obligation at beginning of year                            | 423 600        | 484 098        |
| Current service cost   | 31 200         | 33 881         |
| Interest cost  | 40 435         | 43 735         |
| Actuarial gain – assumptions                                       | (32 743)       | (55 126)       |
| Benefits paid  | (27 021)       | (82 988)       |
| <b>Benefit obligation at end of year</b>                           | <b>435 471</b> | <b>423 600</b> |
| Movement in plan assets  |                |                |
| Fair value of plan assets at beginning of year                     | 516 744        | 552 168        |
| Expected return on plan assets                                     | 44 830         | 27 632         |
| Actuarial loss on plan assets – experience and assumptions         | (8 846)        | (17 682)       |
| Employer contributions   | 30 261         | 28 768         |
| Employee contributions   | 8 748          | 8 846          |
| Benefits paid  | (27 021)       | (82 988)       |
| <b>Fair value of plan assets at end of year</b>                    | <b>564 716</b> | <b>516 744</b> |
| <b>Net surplus at year-end per statement of financial position</b> | <b>129 245</b> | <b>93 144</b>  |
| <b>Components of periodic expense</b>                              |                |                |
| Current service cost   | 31 200         | 33 881         |
| Interest cost  | 40 435         | 43 735         |
| Expected return on plan assets                                     | (44 830)       | (27 632)       |
| <b>Net pension cost for the year</b>                               | <b>26 805</b>  | <b>49 984</b>  |
| Plan assets invested as follows:                                   | %              | %              |
| Equity securities  | 60             | 60             |
| Debt securities  | 33             | 33             |
| Property   | 2              | 2              |
| Other (cash, cash awaiting investment, bank account)               | 5              | 5              |
|  | <b>100</b>     | <b>100</b>     |

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## 34 RETIREMENT BENEFIT INFORMATION (continued)

### Pensions (continued)

The maturity profile of the benefit obligation at the end of the year is as follows:

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| Due within one year                             | 17 170        | 22 371        |
| Due within two years                            | 25 157        | 22 227        |
| Due within three years                          | 11 206        | 23 871        |
| Due within four years                           | 12 624        | 15 534        |
| Due within five years                           | 26 946        | 13 812        |
| Due between six and 10 years                    | 161 216       | 141 663       |
| Due thereafter                                  | 181 152       | 184 122       |
|   | 435 471       | 423 600       |
| Expected contribution next year                 | 33 026        | 28 579        |
| Actual return on assets for the year comprises: | 36 967        | 35 312        |
| – expected return on plan assets for the year   | 49 843        | 32 188        |
| – actuarial (losses)/gains on plan assets       | (12 876)      | 3 124         |
|   | %             | %             |
| Expected return on plan assets                  | 9,51          | 9,59          |
| Post-retirement interest rate                   | 4,48          | 4,22          |
| Price inflation rate                            | 6,41          | 6,87          |
| Salary inflation rate                           | 7,41          | 7,87          |
| Pension increases                               | 4,81          | 5,15          |

### Actuarial assumptions

The above valuations are based on the following principal actuarial assumptions:

|                                |
|--------------------------------|
| Expected return on plan assets |
| Post-retirement interest rate  |
| Price inflation rate           |
| Salary inflation rate          |
| Pension increases              |

### Other assumptions

Mortality rate for members still in service assumed at zero.

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

Merit salary increases per sliding scale depending on age starting at 5% per annum below age 25, and reducing to zero above age 50.

Spouse's benefits for active members – on average, husbands are assumed to be two years older than their wives, and married at date of retirement.

For current pensioners, their actual marital status and, where applicable, the exact age of their spouse has been taken into account.

Set out below is a quantitative sensitivity analysis, based on a 1% movement (increase/decrease), on the principal assumptions referred to above:

| 2018<br>Assumptions                          | Interest |          | Post-retirement |          | Price inflation |          | Salary inflation  |          | Pension increases |          |
|--|----------|----------|-----------------|----------|-----------------|----------|-------------------|----------|-------------------|----------|
|  | increase | decrease | increase        | decrease | increase        | decrease | increase          | decrease | increase          | decrease |
| Impact on defined benefit obligation (R'000) | (34 773) | 46 407   | (26 689)        | 54 250   | 84 753          | (53 880) | 46 407            | (31 047) | 63 837            | (30 616) |
| 2017<br>Assumptions                          | Interest |          | Post-retirement |          | Price inflation |          | Salary escalation |          | Pension increases |          |
|  | increase | decrease | increase        | decrease | increase        | decrease | increase          | decrease | increase          | decrease |
| Impact on defined benefit obligation (R'000) | (36 941) | 50 611   | (27 514)        | 54 822   | 86 274          | (49 955) | 43 990            | (32 182) | 57 637            | (28 170) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 35 BUSINESS ACQUISITION

#### 35.1 Acquisition of subsidiary

On 29 July 2016, the holding company acquired the entire issued share capital of Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier) from Assmang.

In accordance with IFRS 3: *Business Combinations*, the fair value of the assets acquired and liabilities assumed in a business combination are required to be determined within one year of the acquisition of control of the entity. The previous business combination disclosure (which was reported as part of the "Events after reporting period" for the year ended 30 June 2016) contained provisional values as the initial accounting for the business combination had not been completed. The fair values previously disclosed were provisional as the "purchase price allocation" was not yet included at that point in time. On the basis of a valuation performed and independently reviewed effective 1 July 2016 the fair values of the identifiable assets and liabilities of Dwarsrivier at 1 July 2016, together with the fair value of the purchase consideration, were determined and the results for the financial year ended 30 June 2017 were adjusted to bring into account the finalisation of the initial accounting for the business combination and the valuation referred to above.

The following finalised values were used in determining the bargain purchase gain:

|  | <b>R'000</b>     |
|--|------------------|
| Property, plant and equipment  | 691 596          |
| Mining right   | 712 502          |
| Inventories  | 455 631          |
| Trade and other receivables  | 231 491          |
| Long-term provisions   | (63 322)         |
| Trade and other payables   | (277 918)        |
| Short-term provisions  | (119 695)        |
| Deferred tax liability raised in respect of the fair value of assets   | (282 383)        |
| Pre-acquisition liability  | (55 313)         |
| <b>Fair value of identifiable assets acquired and liabilities assumed</b>  | <b>1 292 589</b> |
| <b>Fair value of interest already held by the group</b>  | <b>(560 709)</b> |
| – purchase price for acquisition of 50% Dwarsrivier "A" shares issued to ARM   | (237 562)        |
| – fair value of equity interest distributed by Assmang   | (323 147)        |
| <b>Fair value of purchase consideration</b>  | <b>(475 125)</b> |
| Purchase price, agreed as at 1 July 2014   | (450 000)        |
| Interest foregone on purchase consideration placed in escrow on 1 July 2015 and paid to seller on 29 July 2016 in terms of acquisition agreement   | (25 125)         |
| <b>Bargain purchase gain</b>   | <b>256 755</b>   |
| The above bargain purchase gain resulted largely from the purchase price being agreed upon as at 1 July 2014 and the transaction being concluded on 29 July 2016, when all of the conditions precedent were met. |                  |
| The following results of Dwarsrivier were been included in the consolidated income statement, for the year to 30 June 2017:  |                  |
| Revenue  | 3 380 466        |
| Profit attributable to shareholders  | 843 199          |

|                                   |    |
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## 35 BUSINESS ACQUISITION (continued)

### 35.2 Disposal of interest in associate

During April 2017, Wonderstone Limited, a wholly owned subsidiary, acquired a 40% shareholding in Dakot Wear Ceramics Proprietary Limited (DWC). DWC produces milling media, technical ceramics and other associated products and is located in Gingindlovu, KwaZulu-Natal.

At 31 December 2017, management determined that the carrying value of the investment would not be recovered through its operations and accordingly the investment was impaired.

In an agreement concluded on 29 April 2018, the group secured a sale of all of its shares held in DWC for R6 000 000 payable over a period of five years, with the outstanding amount being secured by way of a special notarial bond in favour of subsidiary company Wonderstone.

|                                   |       |
|-----------------------------------|-------|
|                                   | R'000 |
| Share of loss in associate (2018) | 2 087 |

## COMPANY STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

|  | Note | 2018<br>R'000    | 2017<br>R'000    |
|--|------|------------------|------------------|
| <b>ASSETS</b>                          |      |                  |                  |
| <b>Non-current assets</b>              |      |                  |                  |
| Investment in group companies          | 1    | 1 505 303        | 1 506 425        |
| Available-for-sale investments         | 2    | 262 125          | 229 501          |
| Investment in foreign listed associate | 3    | 185 537          | 121 953          |
| Loans to group companies               | 1    | 4 140 886        | 4 518 291        |
| Deferred taxation                      | 4    | —                | 20 249           |
|  |      | <b>6 093 851</b> | <b>6 396 419</b> |
| <b>Current assets</b>                  |      |                  |                  |
| Other receivables                      | 5    | 662 516          | 631 872          |
| Cash resources                         | 6    | 1 986 119        | 1 782 683        |
|  |      | <b>2 648 635</b> | <b>2 414 555</b> |
| <b>Total assets</b>                    |      | <b>8 742 486</b> | <b>8 810 974</b> |
| <b>EQUITY AND LIABILITIES</b>          |      |                  |                  |
| <b>Share capital and reserves</b>      |      |                  |                  |
| Share capital                          | 7    | 698              | 698              |
| Share premium                          | 8    | 264 092          | 264 092          |
| Retained earnings                      |      | 8 336 736        | 7 361 035        |
| Other reserves                         | 9    | 97 997           | 64 553           |
| <b>Total equity</b>                    |      | <b>8 699 523</b> | <b>7 690 378</b> |
| <b>Non-current liabilities</b>         |      |                  |                  |
| Loans from group companies             | 1    | —                | 1 082 027        |
| Deferred taxation                      | 4    | 23 332           | —                |
|  |      | <b>23 332</b>    | <b>1 082 027</b> |
| <b>Current liabilities</b>             |      |                  |                  |
| Other payables                         |      | 14 425           | 35 343           |
| Taxation                               |      | 2 144            | 3 226            |
| Amounts due to group companies         | 1    | 3 062            | —                |
|  |      | <b>19 631</b>    | <b>38 569</b>    |
| <b>Total equity and liabilities</b>    |      | <b>8 742 486</b> | <b>8 810 974</b> |

|                                   |    |
|-----------------------------------|----|
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## COMPANY INCOME STATEMENT

for the year ended 30 June 2018

|   | Note | 2018<br>R'000    | 2017<br>R'000 |
|---|------|------------------|---------------|
| <b>Revenue</b>  | 10   | <b>3 523 835</b> | 2 662 190     |
| Investment income   |      | <b>3 523 835</b> | 3 222 898     |
| – dividends received from joint-venture entity                  |      | <b>3 000 000</b> | 2 810 709     |
| – preference dividends received from empowerment entities       |      | <b>290 280</b>   | 311 214       |
| – interest received   |      | <b>216 491</b>   | 97 814        |
| – dividends received from available-for-sale listed investments |      | <b>16 926</b>    | 3 140         |
| – dividends received from unlisted instruments                  |      | <b>138</b>       | 21            |
| Profit on disposal of available-for-sale investments            |      | <b>42 432</b>    | —             |
| Other income  |      | <b>703</b>       | —             |
| Administrative expenses   |      | <b>(18 611)</b>  | (7 020)       |
| Impairment of financial assets                                  |      | <b>(1 384)</b>   | (927)         |
| <b>Profit before taxation</b>                                   | 11   | <b>3 546 975</b> | 3 214 951     |
| Taxation  | 12   | <b>58 348</b>    | 28 337        |
| <b>Profit for the year</b>                                      |      | <b>3 488 627</b> | 3 186 614     |

## COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

|   | Note | 2018<br>R'000    | 2017<br>R'000 |
|---|------|------------------|---------------|
| <b>Profit for the year (as above)</b>   |      | <b>3 488 627</b> | 3 186 614     |
| Items that may be reclassified into the income statement dependent on the outcome of a future event |      | <b>32 933</b>    | 38 251        |
| Gain on revaluation to market value/original cost of available-for-sale listed investments          | 2    | <b>77 024</b>    | 49 292        |
| Deferred capital gains taxation thereon   |      | <b>(44 091)</b>  | (11 041)      |
| <b>Total comprehensive income for the year, net of taxation</b>                                     |      | <b>3 521 560</b> | 3 224 865     |

## COMPANY STATEMENT OF CASH FLOW

for the year ended 30 June 2018

|   | Note | 2018<br>R'000      | 2017<br>R'000 |
|---|------|--------------------|---------------|
| <b>Cash generated from operating activities</b>             |      | <b>881 876</b>     | 963 519       |
| Net cash generated from operating activities                |      | <b>3 269 001</b>   | 2 427 493     |
| Cash generated from/(utilised by) operations                | 14.1 | <b>13 219</b>      | (567 728)     |
| Dividends received  | 14.1 | <b>3 307 344</b>   | 3 125 085     |
| Movements in working capital                                | 14.2 | <b>(51 562)</b>    | (129 864)     |
| Interest income   |      | <b>184 037</b>     | 97 814        |
| Taxation paid   | 14.3 | <b>(59 430)</b>    | (26 600)      |
| Dividends paid  | 14.4 | <b>(2 511 732)</b> | (1 535 188)   |
| <b>Cash utilised in investing activities</b>                |      | <b>23 121</b>      | —             |
| Acquisition of interest in foreign listed associate         |      | <b>(63 585)</b>    | —             |
| Proceeds on disposal of available-for-sale investment       |      | <b>86 706</b>      | —             |
| <b>Cash (utilised by)/generated by financing activities</b> |      | <b>(701 561)</b>   | 116 950       |
| Preference shares redeemed                                  |      | <b>321 200</b>     | —             |
| Repayment of inter-company loans                            |      | <b>(1 022 761)</b> | 116 950       |
| <b>Cash resources</b>                                       |      |                    |               |
| – increase for the year                                     |      | <b>203 436</b>     | 1 080 469     |
| – at beginning of year                                      |      | <b>1 782 683</b>   | 702 214       |
| – at end of year  | 6    | <b>1 986 119</b>   | 1 782 683     |



## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

|   | Note | 2018<br>R'000    | 2017<br>R'000    |
|---|------|------------------|------------------|
| <b>Share capital</b>  |      |                  |                  |
| Balance at beginning and end of year  | 7    | 698              | 698              |
| <b>Share premium</b>  |      |                  |                  |
| Balance at beginning and end of year  | 8    | 264 092          | 264 092          |
| <b>Other reserves</b>   |      |                  |                  |
| Balance at beginning of year  |      | 64 553           | 26 302           |
| Other comprehensive income for the year, after taxation   |      | 33 444           | 38 251           |
| Balance at end of year  | 9    | 97 997           | 64 553           |
| <b>Retained earnings</b>  |      |                  |                  |
| Balance at beginning of year  |      | 7 361 035        | 5 710 098        |
| Profit for the year   |      | 3 488 627        | 3 186 614        |
| Ordinary dividends declared during the year   |      |                  |                  |
| Final dividend No 121 of 800 cents (2017: 500 cents) per share – declared on 29 August 2017       | 13   | (1 116 856)      | (698 035)        |
| Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018 | 13   | (1 396 070)      | (837 642)        |
| Balance at end of year  |      | 8 336 736        | 7 361 035        |
| <b>Total equity</b>   |      | <b>8 699 523</b> | <b>7 690 378</b> |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 June 2018

|   | 2018<br>R'000    | 2017<br>R'000 |
|---|------------------|---------------|
| <b>1 INVESTMENT IN GROUP COMPANIES</b>  |                  |               |
| Joint-venture entity (refer below)  | 468 153          | 468 153       |
| Subsidiary companies (refer below)  | 1 037 150        | 1 038 272     |
|   | <b>1 505 303</b> | 1 506 425     |
| <b>Investment in joint-venture entity</b>   |                  |               |
| Assmang Proprietary Limited (Assmang)   |                  |               |
| 1 774 103 (2017: 1 774 103) ordinary shares at cost   | 468 153          | 468 153       |
| <b>Investment in subsidiary companies (refer note 15)</b>   |                  |               |
| Shares at cost  | 1 037 150        | 1 038 272     |
| <b>Amounts due by/(to) subsidiary companies (refer note 15)</b>   |                  |               |
| Loan accounts receivable  | 4 140 886        | 4 518 291     |
| Loan accounts payable   | (3 062)          | (1 082 027)   |
| Per note 15   | <b>4 137 824</b> | 3 436 264     |
| Loan accounts receivable include cumulative redeemable preference shares in the amount of R3 547 million (2017: R3 868 million), issued to structured entities (SEs), recognised as subsidiary companies, with a coupon of 75% (2017: 75%) of the prime interest overdraft rate, published by the Standard Bank of South Africa Limited, and with no fixed terms of redemption. The remainder of the loan accounts receivable and all loan accounts payable are interest-free with no fixed terms of repayment. Loan accounts payable are not due within 12 months. |                  |               |
| Accrued preference dividends from SEs (included as part of other receivables)   | <b>643 457</b>   | 613 577       |
| <b>2 AVAILABLE-FOR-SALE INVESTMENTS</b>   |                  |               |
| Listed and unlisted investments at cost   | 157 964          | 319 767       |
| Cumulative impairment charges included in profit or loss (retained earnings)  | (53 526)         | (170 929)     |
| Opening balance   | (170 929)        | (170 929)     |
| Reversal of impairment below cost previously recognised   | 117 403          | —             |
| Cumulative fair value adjustment included in other comprehensive income   | 157 687          | 80 663        |
| Opening balance   | 80 663           | 31 246        |
| Unlisted investments at cost  | —                | 125           |
| Fair value adjustment at year-end disclosed in other reserves   | 77 024           | 49 292        |
| Fair value adjustment of remaining investment   | 119 456          | —             |
| Profit on sale of available-for-sale investment   | (42 432)         | —             |
|   | <b>262 125</b>   | 229 501       |
| <b>3 INVESTMENT IN FOREIGN LISTED ASSOCIATE</b>   |                  |               |
| 81 316 667 (2017: 70 833 334) shares in IronRidge Resources Limited (IronRidge) – at cost   |                  |               |
| Balance at beginning of year  | 121 953          | 121 953       |
| Acquired during the year  | 63 584           | —             |
| Balance at end of year  | <b>185 537</b>   | 121 953       |
| The investment represents a 28,91% (2017: 29,64%) interest in the ordinary share capital of IronRidge, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange.   |                  |               |
| IronRidge is registered in Australia and is a junior exploration company, with a portfolio of gold, bauxite, titanium and iron ore prospects in Africa and Australia.   |                  |               |

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| <b>4 DEFERRED TAXATION</b>  |               |               |
| Balance at beginning of year  | 20 249        | 31 290        |
| Arising from temporary differences included in other comprehensive income<br>– revaluation of available-for-sale listed investments to market value at year-end | (43 581)      | (11 041)      |
| Balance at end of year  | (23 332)      | 20 249        |
| <b>5 OTHER RECEIVABLES</b>  |               |               |
| Preference dividends receivable from empowerment entities   | 643 706       | 613 577       |
| Interest on variable rate deposits received after year-end  | 18 469        | 17 832        |
| Prepayments   | 341           | 463           |
|   | 662 516       | 631 872       |
| <b>6 CASH RESOURCES</b>   |               |               |
| Cash on fixed rate deposit  | —             | 1 525 952     |
| Variable rate deposits and current accounts   | 1 986 119     | 256 731       |
|   | 1 986 119     | 1 782 683     |
| <b>7 SHARE CAPITAL</b>  |               |               |
| <b>Authorised</b>   |               |               |
| 200 000 000 (2017: 200 000 000) ordinary shares of 0,5 cents each   | 1 000         | 1 000         |
| <b>Issued</b>   |               |               |
| Balance at beginning and end of year (139 607 000 (2017: 139 607 000) ordinary shares of 0,5 cents each)  | 698           | 698           |
| <b>8 SHARE PREMIUM</b>  |               |               |
| Balance at beginning and end of year  | 264 092       | 264 092       |
| <b>9 OTHER RESERVES</b>   |               |               |
| Surplus arising on the revaluation of available-for-sale listed investments to market value at year-end   |               |               |
| Gross fair value adjustment at year-end   | 157 562       | 80 538        |
| Less: Deferred capital gains taxation thereon   | (59 565)      | (15 985)      |
|   | 97 997        | 64 553        |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|   | 2018<br>R'000    | 2017<br>R'000    |
|---|------------------|------------------|
| <b>10 REVENUE</b>   |                  |                  |
| Revenue comprises:  |                  |                  |
| Dividends received  | 3 307 344        | 2 564 376        |
| Interest received   | 216 491          | 97 814           |
|   | <b>3 523 835</b> | <b>2 662 190</b> |
| <b>11 PROFIT BEFORE TAXATION</b>  |                  |                  |
| Profit before taxation is stated after taking into account the following items of income and expenditure: |                  |                  |
| <b>Income</b>   |                  |                  |
| Dividends received  | 3 307 344        | 3 125 085        |
| Ordinary dividends  |                  |                  |
| – joint-venture entity  | 3 000 000        | 2 810 709        |
| – available-for-sale investments  |                  |                  |
| – listed  | 16 926           | 3 140            |
| – unlisted  | 138              | 21               |
| Preference dividends received from empowerment entities   | 290 280          | 311 214          |
| – Main Street 350 Proprietary Limited (RF)  | 26 475           | 46 763           |
| – Main Street 904 Proprietary Limited (RF)  | 263 805          | 264 451          |
| Interest received   | 216 491          | 97 814           |
| <b>Expenditure</b>  |                  |                  |
| Directors' remuneration   | 194 332          | 193 438          |
| – directors' fees   | 2 724            | 2 008            |
| – other services paid by subsidiary companies   | 191 608          | 191 430          |

|   | 2018<br>R'000    | 2017<br>R'000    |
|---|------------------|------------------|
| <b>12 TAXATION</b>  |                  |                  |
| South African normal tax  |                  |                  |
| – current year  | 61 914           | 27 472           |
| – overprovision relating to prior year  | (3 566)          | —                |
| Securities transfer taxation on redemption of preference shares                                   | —                | 865              |
|   | <b>58 348</b>    | <b>28 337</b>    |
| <b>Reconciliation of the taxation charge as a percentage of profit before taxation</b>            |                  |                  |
|   | %                | %                |
| Statutory tax rate  | 28,00            | 28,00            |
| Adjusted for:   |                  |                  |
| Dividend income   | (26,53)          | (27,22)          |
| Disallowable expenditure  | 0,18             | 0,10             |
| Effective tax rate  | <b>1,65</b>      | <b>0,88</b>      |
| <b>13 DIVIDENDS</b>   |                  |                  |
| <b>Dividends declared during the year</b>   |                  |                  |
| Final dividend No 121 of 800 cents (2017: 500 cents) per share – declared on 29 August 2017       | 1 116 856        | 698 035          |
| Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018 | 1 396 070        | 837 642          |
|   | <b>2 512 926</b> | <b>1 535 677</b> |
| Per share (cents)   | <b>1 800</b>     | <b>1 100</b>     |
| <b>Dividends relating to the activities of the group for the year under review</b>                |                  |                  |
| Interim dividend No 122 of 1 000 cents (2017: 600 cents) per share – declared on 20 February 2018 | 1 396 070        | 837 642          |
| Final dividend No 123 of 1 200 cents (2017: 800 cents) per share – declared on 5 September 2018   | 1 675 284        | 1 116 856        |
|   | <b>3 071 354</b> | <b>1 954 498</b> |
| Per share (cents)   | <b>2 200</b>     | <b>1 400</b>     |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

|  | 2018<br>R'000      | 2017<br>R'000      |
|--|--------------------|--------------------|
| <b>14 NOTES TO THE STATEMENT OF CASH FLOW</b>          |                    |                    |
| <b>14.1 Cash utilised in operations</b>                |                    |                    |
| Profit before taxation                                 | 3 546 975          | 3 214 951          |
| Adjusted for:  | (3 533 756)        | (3 782 679)        |
| – dividends received                                   | (3 307 344)        | (3 125 085)        |
| – interest received                                    | (184 037)          | (97 814)           |
| – impairment of non-financial assets                   | 1 384              | 927                |
| – other income   | (703)              | (560 707)          |
| – profit on disposal of available-for-sale investments | (42 432)           | —                  |
| – other  | (624)              | —                  |
|  | <b>13 219</b>      | <b>(567 728)</b>   |
| <b>14.2 Movements in working capital</b>               |                    |                    |
| Movement in other receivables                          | (30 644)           | (133 276)          |
| Movement in other payables                             | (20 918)           | 3 412              |
|  | <b>(51 562)</b>    | <b>(129 864)</b>   |
| <b>14.3 Taxation paid</b>                              |                    |                    |
| Unpaid at beginning of year                            | (3 226)            | (1 489)            |
| Charged to the income statement                        | (58 348)           | (28 337)           |
| Unpaid at end of year                                  | 2 144              | 3 226              |
|  | <b>(59 430)</b>    | <b>(26 600)</b>    |
| <b>14.4 Dividends paid</b>                             |                    |                    |
| Unpaid at beginning of year                            | (3 112)            | (2 623)            |
| Declared during the year (refer note 13)               | (2 512 926)        | (1 535 677)        |
| Unpaid at end of year                                  | 4 306              | 3 112              |
|  | <b>(2 511 732)</b> | <b>(1 535 188)</b> |

## 15 INTEREST OF THE COMPANY IN ITS SUBSIDIARY COMPANIES

### Incorporated in South Africa

#### Ordinary shares held directly

African Mining and Trust

Company Limited

Ceramox Proprietary Limited(D)

Dwarsrivier Chrome Mine

Proprietary Limited

Erf 1263 Parkview Extension 1

Proprietary Limited

Erven 27 and 28 Illovo Proprietary Limited

Erven 40 and 41 Illovo Proprietary Limited

General Nominees Proprietary Limited(D)

Ore & Metal Company Limited

Wonderstone Limited

Xertech Proprietary Limited

#### Ordinary shares held indirectly

GroupLine Projects Proprietary Limited

Minerais Holdings Proprietary Limited

Minerais U.S. LLC

Rustenburg Minerals Development

Company Proprietary Limited

Wonderstone 1937 Limited(D)

#### Companies holding group treasury shares for empowerment entities

Main Street 350 Proprietary Limited (RF)

Main Street 460 Proprietary Limited (RF)

Main Street 904 Proprietary Limited (RF)

#### Companies provided against

Zeerust Chrome Mines Limited

#### Incorporated in Namibia

Krantzberg Mines Limited

Sub-total

Less – held indirectly

– provided against

Per note 1

|   | Issued share capital<br>2018/2017<br>R | Direct interest in share capital<br>2018/2017<br>% | Shares at cost#<br>2018<br>R'000 | Shares at cost#<br>2017<br>R'000 | Amounts due from/(to) subsidiary companies<br>2018<br>R'000 | Amounts due from/(to) subsidiary companies<br>2017<br>R'000 |
|---|--|--|----------------------------------|----------------------------------|---|---|
| <b>Ordinary shares held directly</b>                                    |  |  |                                  |                                  |   |   |
| African Mining and Trust Company Limited                                | 1 000 000                              | 100  | 1 200                            | 1 200                            | (3 062)   | (486)   |
| Ceramox Proprietary Limited(D)  | 100                                    | 100  | 1                                | 1 124                            | —   | —   |
| Dwarsrivier Chrome Mine Proprietary Limited                             | 1 630 293 002                          | 100  | 1 035 834                        | 1 035 833                        | —   | 55 313  |
| Erf 1263 Parkview Extension 1 Proprietary Limited                       | 1                                      | 100  | —                                | —                                | —   | —   |
| Erven 27 and 28 Illovo Proprietary Limited                              | 100                                    | 100  | —                                | —                                | —   | —   |
| Erven 40 and 41 Illovo Proprietary Limited                              | 100                                    | 100  | —                                | —                                | —   | —   |
| General Nominees Proprietary Limited(D)                                 | 4                                      | 100  | —                                | —                                | —   | —   |
| Ore & Metal Company Limited   | 100 000                                | 100  | 105                              | 105                              | —   | (1 078 041)   |
| Wonderstone Limited   | 10 000                                 | 100  | 10                               | 10                               | —   | —   |
| Xertech Proprietary Limited   | 100                                    | 100  | —                                | —                                | —   | —   |
|   |  |  | <b>1 037 150</b>                 | <b>1 038 272</b>                 | <b>(3 062)</b>  | <b>(1 023 214)</b>  |
| <b>Ordinary shares held indirectly</b>                                  |  |  |                                  |                                  |   |   |
| GroupLine Projects Proprietary Limited                                  | 90                                     | 100  | 11 913                           | 11 913                           | —   | —   |
| Minerais Holdings Proprietary Limited                                   | 100                                    | 100  | 10 887                           | 10 887                           | —   | 42  |
| Minerais U.S. LLC   | 17 756 100                             | 51   | 11 418                           | 11 418                           | —   | —   |
| Rustenburg Minerals Development Company Proprietary Limited             | 232 143                                | 56   | 232 143                          | 232 143                          | —   | —   |
| Wonderstone 1937 Limited(D)   | 45 940                                 | 100  | 35                               | 35                               | —   | —   |
|   |  |  | <b>266 396</b>                   | <b>266 396</b>                   | <b>—</b>  | <b>42</b>   |
| <b>Companies holding group treasury shares for empowerment entities</b> |  |  |                                  |                                  |   |   |
| Main Street 350 Proprietary Limited (RF)                                | 100                                    | 49   | —                                | —                                | 1 290 845   | 1 613 290   |
| Main Street 460 Proprietary Limited (RF)                                | 100                                    | —  | —                                | —                                | 41  | 41  |
| Main Street 904 Proprietary Limited (RF)                                | 1 000                                  | —  | —                                | —                                | 2 850 000   | 2 849 605   |
| <b>Companies provided against</b>                                       |  |  |                                  |                                  |   |   |
| Zeerust Chrome Mines Limited  | 1 300 000                              | 100  | 1 114                            | 1 114                            | —   | (3 500)   |
| <b>Incorporated in Namibia</b>  |  |  |                                  |                                  |   |   |
| Krantzberg Mines Limited  | 500 000                                | 100  | —                                | —                                | —   | —   |
| Sub-total   |  |  | <b>1 114</b>                     | <b>1 114</b>                     | <b>4 140 886</b>  | <b>4 459 436</b>  |
|   |  |  | <b>1 304 660</b>                 | <b>1 305 782</b>                 | <b>4 137 824</b>  | <b>3 436 264</b>  |
| Less – held indirectly  |  |  | <b>(266 396)</b>                 | <b>(266 396)</b>                 |   |   |
| – provided against  |  |  | <b>(1 114)</b>                   | <b>(1 114)</b>                   |   |   |
| Per note 1  |  |  | <b>1 037 150</b>                 | <b>1 038 272</b>                 | <b>4 137 824</b>  | <b>3 436 264</b>  |

\* Represents investments of less than R1 000

(D) Dormant companies

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 16 FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

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

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

The roles and responsibilities of the committee include:

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

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

#### 16.1 Credit risk

##### Credit exposure and concentration of credit risk

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

|   | <b>2018</b>      | 2017      |
|---|------------------|-----------|
|   | <b>R'000</b>     | R'000     |
| Loans to group companies (refer note 1) | <b>4 140 886</b> | 4 518 291 |
| Other receivables – local               | <b>662 516</b>   | 631 873   |
| Cash resources (refer note 6)           | <b>1 986 119</b> | 1 782 683 |



## 16 FINANCIAL RISK MANAGEMENT (continued)

### 16.2 Liquidity risk

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

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

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

#### Exposure to liquidity risk

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

|                                 | Contractual maturity date |                           |                             |                                  |                                |                            |
|---------------------------------|---------------------------|---------------------------|-----------------------------|----------------------------------|--------------------------------|----------------------------|
|                                 | Carrying amount<br>R'000  | Total cash flows<br>R'000 | Less than 4 months<br>R'000 | Between 4 and 12 months<br>R'000 | Between 1 and 5 years<br>R'000 | More than 5 years<br>R'000 |
| <b>2018</b>                     |                           |                           |                             |                                  |                                |                            |
| <b>Financial assets</b>         |                           |                           |                             |                                  |                                |                            |
| Investment in group companies#  | 1 505 303                 | 1 505 303                 | —                           | —                                | —                              | 1 505 303                  |
| Available-for-sale investments# | 262 125                   | 262 125                   | —                           | —                                | —                              | 262 125                    |
| Loans to group companies**      | 4 140 886                 | 4 140 886*                | 72 205                      | —                                | —                              | 4 068 681                  |
| Other receivables               | 662 516                   | 662 516                   | 662 516                     | —                                | —                              | —                          |
| Cash resources                  | 1 986 119                 | 1 986 119                 | 1 986 119                   | —                                | —                              | —                          |
|                                 | <b>8 556 949</b>          | <b>8 556 949</b>          | <b>2 720 840</b>            | <b>—</b>                         | <b>—</b>                       | <b>5 836 109</b>           |
| <b>Financial liabilities</b>    |                           |                           |                             |                                  |                                |                            |
| Loans from group companies      | 3 062                     | 3 062                     | 3 062                       | —                                | —                              | —                          |
| Other payables                  | 14 425                    | 14 425                    | 14 425                      | —                                | —                              | —                          |
| Guarantees                      | 1 335 081                 | 1 335 081                 | 1 335 081                   | —                                | —                              | —                          |
|                                 | <b>1 352 568</b>          | <b>1 352 568</b>          | <b>1 352 568</b>            | <b>—</b>                         | <b>—</b>                       | <b>—</b>                   |
| <b>2017</b>                     |                           |                           |                             |                                  |                                |                            |
| <b>Financial assets</b>         |                           |                           |                             |                                  |                                |                            |
| Investment in group companies   | 1 506 425                 | 1 506 425                 | —                           | —                                | —                              | 1 506 425                  |
| Available-for-sale investments  | 229 501                   | 229 501                   | —                           | —                                | —                              | 229 501                    |
| Loans to group companies        | 4 518 291                 | 4 518 291*                | 81 140                      | —                                | —                              | 4 437 151                  |
| Other receivables               | 631 873                   | 631 873                   | 631 873                     | —                                | —                              | —                          |
| Cash resources                  | 1 782 683                 | 1 782 683                 | 1 782 683                   | —                                | —                              | —                          |
|                                 | <b>8 668 773</b>          | <b>8 668 773</b>          | <b>2 495 696</b>            | <b>—</b>                         | <b>—</b>                       | <b>6 173 077</b>           |
| <b>Financial liabilities</b>    |                           |                           |                             |                                  |                                |                            |
| Loans from group companies      | 1 082 027                 | 1 082 027                 | —                           | 1 082 027                        | —                              | —                          |
| Other payables                  | 35 343                    | 35 343                    | 35 343                      | —                                | —                              | —                          |
| Guarantees                      | 1 273 818                 | 1 273 818                 | 1 273 818                   | —                                | —                              | —                          |
|                                 | <b>2 391 188</b>          | <b>2 391 188</b>          | <b>1 309 161</b>            | <b>1 082 027</b>                 | <b>—</b>                       | <b>—</b>                   |

# Investment in, and loans to, group companies and associates and available-for-sale investments do not have contractual maturity dates, but have been presented in the "more than five years" column as the company does not intend disposing of these assets within the next five years.

\* Contracted cash flows for loans to group companies are determined by the ability of the company to declare dividends and therefore no projection is made of the cash flows, except for those based on dividends already declared.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 16 FINANCIAL RISK MANAGEMENT (continued)

#### 16.3 Market risk

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

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

#### Interest rate risk

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

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

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

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| <b>Variable rate instruments</b>        |               |               |
| <b>Assets</b>                           |               |               |
| Loan accounts receivable (refer note 1) | 4 140 886     | 4 518 291     |
| Cash resources (refer note 6)           | 1 986 119     | 256 731       |

#### Cash flow sensitivity analysis for variable rate instruments

An increase of 50 basis points in interest rates at the reporting date would have increased profit after taxation by R22,1 million (2017: R9,2 million). This assumes that all other variables remain constant. There is no impact on the company's equity. Net effect on profit or loss after taxation is equal but opposite for a 50 basis point decrease on the financial instruments listed above.

#### Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Equity price risk

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

At the reporting date, the exposure to listed investments at fair value was R262,0 million (2017: R229,0 million). A decrease of 1% in the market value of the investments would have an impact of approximately R2,6 million (2017: R2,3 million) on profit or loss, or other comprehensive income depending on whether or not the valuation of the security concerned is stated at below original cost. An increase of 1% in the value of the listed investments would only impact other comprehensive income, and would not have an effect on profit or loss.

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## 16 FINANCIAL RISK MANAGEMENT (continued)

### 16.4 Classification of financial assets and liabilities

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

|                                | Available-<br>for-sale<br>investments<br>R'000 | Loans and<br>receivables<br>R'000 | Liabilities at<br>amortised<br>cost<br>R'000 | Other assets<br>and<br>liabilities<br>R'000 | Total<br>carrying<br>value<br>R'000 |
|--------------------------------|--|-----------------------------------|--|---|-------------------------------------|
| <b>2018</b>                    |  |                                   |  |   |                                     |
| <b>Financial assets</b>        |  |                                   |  |   |                                     |
| Investment in group companies  | —  | —                                 | —  | 1 505 303                                   | 1 505 303                           |
| Available-for-sale investments | 262 125  | —                                 | —  | —   | 262 125                             |
| Loans to group companies       | —  | 4 140 886                         | —  | —   | 4 140 886                           |
| Other receivables              | —  | 662 516                           | —  | —   | 662 516                             |
| Cash resources                 | —  | 1 986 119                         | —  | —   | 1 986 119                           |
|                                | <b>262 125</b>                                 | <b>6 789 521</b>                  |  | <b>1 505 303</b>                            | <b>8 556 949</b>                    |
| <b>Financial liabilities</b>   |  |                                   |  |   |                                     |
| Loans from group companies     |  |                                   | 3 062  | —   | 3 062                               |
| Other payables                 |  |                                   | 14 425                                       | —   | 14 425                              |
|                                |  |                                   | <b>17 487</b>                                | <b>—</b>                                    | <b>17 487</b>                       |
| <b>2017</b>                    |  |                                   |  |   |                                     |
| <b>Financial assets</b>        |  |                                   |  |   |                                     |
| Investment in group companies  | —  | —                                 | —  | 1 506 425                                   | 1 506 425                           |
| Available-for-sale investments | 229 501  | —                                 | —  | —   | 229 501                             |
| Loans to group companies       | —  | 4 518 291                         | —  | —   | 4 518 291                           |
| Other receivables              | —  | 631 873                           | —  | —   | 631 873                             |
| Cash resources                 | —  | 1 782 683                         | —  | —   | 1 782 683                           |
|                                | <b>229 501</b>                                 | <b>6 932 847</b>                  |  | <b>1 506 425</b>                            | <b>8 668 773</b>                    |
| <b>Financial liabilities</b>   |  |                                   |  |   |                                     |
| Loans from group companies     |  |                                   | 1 082 027                                    | —   | 1 082 027                           |
| Other payables                 |  |                                   | 35 343                                       | —   | 35 343                              |
|                                |  |                                   | <b>1 117 370</b>                             | <b>—</b>                                    | <b>1 117 370</b>                    |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

### 17 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

#### Determination of fair values

Quoted market prices at reporting date have been used to determine the fair value of available-for-sale investments, whereas market-related discount rates have been used to determine the fair value of loans and receivables and interest-bearing borrowings. Where quoted market prices are not available, a valuation technique, most commonly discounted cash flows, was used. For other receivables and payables, the fair value was determined using discounted cash flow method at market-related interest rate. Carrying amounts approximate fair value for all other financial assets and liabilities.

#### Fair value hierarchy

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

Level 1: quoted prices in an active market that are unadjusted for identical assets or liabilities;

Level 2: valuation techniques using inputs, which are directly or indirectly observable; and

Level 3: valuations based on data that is not observable (not applicable to the group).

The values of all other instruments recognised, but not subsequently measured at fair value, approximate fair value.

The following assets and liabilities were measured at level 1:

|   | 2018<br>R'000 | 2017<br>R'000 |
|---|---------------|---------------|
| <b>Recurring fair value measurements, measured at level 1</b>                 |               |               |
| <b>Assets measured at fair value, measure at level 1</b>                      |               |               |
| Available-for-sale investments  | 262 125       | 229 501       |
| <b>Assets and liabilities measured at amortised cost, measured at level 2</b> |               |               |
| Fair value of loans to group companies  | 1 075 682     | 1 114 367     |
| Fair value of loans from group companies                                      | —             | 762 521       |

### 18 CAPITAL MANAGEMENT

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

The board's policy is therefore to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. The company considers its capital to comprise total equity. The company may adjust its capital structure by way of issuing new shares and is dependent on its shareholders for additional capital as required. The company manages its capital structure in light of changes in economic conditions and the board of directors monitors the capital adequacy, solvency and liquidity of the company on a continuous basis.

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

|   | 2018<br>R'000    | 2017<br>R'000 |
|---|------------------|---------------|
| <b>19 CONTINGENT LIABILITIES</b>  |                  |               |
| <b>Contingent liabilities</b>   |                  |               |
| Guarantee of US\$97,5 million (2017: US\$97,5 million) issued to bankers as security for facilities provided to a foreign subsidiary company  | <b>1 335 081</b> | 1 273 818     |
| The company holds a back-to-back guarantee of R180 million (2017: R180 million) issued by the joint-venture entity in respect of claims made in terms of the abovementioned guarantees. |                  |               |
| <b>20 RELATED-PARTY TRANSACTIONS</b>  |                  |               |
| Transactions with related parties are concluded at arm's length and under similar terms and conditions to third parties.  |                  |               |
| The following significant related-party transactions occurred during the year:  |                  |               |
| Dividends received from joint-venture entity  | <b>3 000 000</b> | 2 810 709     |
| Preference dividends received from entities deemed to be subsidiary companies   | <b>290 280</b>   | 311 214       |
| Management fees paid to subsidiary company  | <b>185</b>       | 185           |

## ACCOUNTING POLICIES

for the year ended 30 June 2018

### 1 BASIS OF PREPARATION

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

#### 1.1 Statement of compliance

The financial statements of the group and company have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards, as adopted by the International Accounting Standards Board (IASB), the South African Companies Act, No 71 of 2008, as amended, the Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

#### 1.2 Changes in accounting policies

The following new standards and amendments to IFRS became effective during the year:

| Standard | Description  | Effective for financial periods commencing | Impact on the financial statements  |
|----------|--|--|---|
| IAS 7    | <i>Disclosure initiative – amendments to IAS 7</i>                                     | January 2017                               | <p>The amendments to IAS 7: <i>Statement of Cash Flows</i> are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p> <p>The amendments have not had a material impact on the results or disclosures of the group</p>   |
| IAS 12   | <i>Recognition of Deferred Tax Assets for Unrealised Losses – amendments to IAS 12</i> | January 2017                               | <p>The amendments clarify that an entity needs to consider whether tax laws restrict the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.</p> <p>The amendments have not had a material impact on the results or disclosures of the group.</p> |

## 1 BASIS OF PREPARATION (continued)

### 1.3 IFRS and IFRIC interpretation not yet effective

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

| Standard | Description   | Effective for financial periods commencing | Anticipated impact  |
|----------|---|--|---|
| IAS 19   | <i>Plan Amendment, Curtailment or Settlement – amendments to IAS 19 Employee Benefits</i> | January 2019                               | <p>The amendments to IAS 19: <i>Employee Benefits</i> address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.</p> <p><b>Determining the current service cost and net interest</b></p> <p>When accounting for defined benefit plans under IAS 19, the standard requires entities to measure the current service cost using actuarial assumptions determined at the start of the annual reporting period. Similarly, the net interest is calculated by applying the discount rate to the net defined benefit asset/liability by the discount rate, both determined at the start of the annual reporting period.</p> <p>The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:</p> <ol style="list-style-type: none"> <li>1. Determine current service costs for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit asset/liability reflecting the benefit offered under the plan and the plan assets after that event.</li> <li>2. Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit asset/liability reflecting the benefits offered under the plan and the plan assets after that event and the discount rate applied to remeasure that net defined benefit asset/liability.</li> </ol> <p><b>Effect on asset ceiling requirements</b></p> <p>A plan amendment, curtailment or settlement may reduce or eliminate a surplus in a defined benefit plan, which may cause the effect of the asset ceiling to change.</p> <p>The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income or loss. This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.</p> <p>The group is in the process of determining the impact of the amendments on its results. The interpretation will be adopted in the financial year commencing 1 July 2019.</p> |

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 1 BASIS OF PREPARATION (continued)

#### 1.3 IFRS and IFRIC interpretation not yet effective (continued)

| Standard | Description   | Effective for financial periods commencing | Anticipated impact  |
|----------|---|--|---|
| IAS 28   | <i>Long-term interests in associates and joint ventures – amendments to IAS 28</i>                | January 2019                               | <p>The amendments clarify that an entity applies IFRS 9: <i>Financial Instruments</i> to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.</p> <p>The IASB also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: <i>Investments in Associates and Joint Ventures</i>.</p> <p>The group is in the process of determining the impact of the amendments on its results. The interpretation will be adopted in the financial year commencing 1 July 2019.</p>   |
| IFRS 2   | <i>Classification and Measurements of Share-based Payment Transactions – amendments to IFRS 2</i> | January 2018                               | <p>The IASB issued amendments to IFRS 2: <i>Share-Based Payment</i> in relation to the classification and measurement of share-based payment transactions. The amendments address two main areas.</p> <p><b>The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction</b></p> <p>The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.</p> <p><b>The classification of a share-based payment transaction with net settlement features for withholding tax obligations</b></p> <p>This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount to meet the employees' tax obligation associated with the share-based payment received. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employees' tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment (net share settlement feature). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.</p> <p>The group is in the process of determining the impact of the amendments on its results. The interpretation will be adopted in the financial year commencing 1 July 2018.</p> |



# 1 BASIS OF PREPARATION (continued)

## 1.3 IFRS and IFRIC interpretation not yet effective (continued)

| Standard | Description                  | Effective for financial periods commencing | Anticipated impact  |
|----------|------------------------------|--|---|
| IFRS 9   | <i>Financial Instruments</i> | January 2018                               | <p>IFRS 9, as issued in July 2014, reflects the completion of all the phases of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, impairment as well as hedge accounting.</p> <p><b>Classification and measurement of financial assets</b><br/>           Except for certain trade receivables, an entity initially measures a financial asset at its fair value.</p> <p>In the case of a financial asset not at measured at fair value through profit or loss (FVTPL), an entity measures the financial asset at fair value plus transaction costs.</p> <p>Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), based on their contractual cash flows and the business model under which debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income or loss (OCI) (without subsequent reclassification to profit or loss).</p> <p><b>Classification and measurement of financial liabilities</b><br/>           For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk is required to be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk creates or enlarges an accounting mismatch in profit or loss.</p> <p>All other financial liabilities classified and measured in terms of IAS 39 <i>Financial Instruments: Recognition and Measurement</i> have been carried forward into IFRS 9 including the embedded derivative separation rules and the criteria for using the FVO.</p> <p><b>Impairment</b><br/>           The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model.</p> <p>The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15: <i>Revenue from Contracts with Customers</i> and lease receivables under IAS 17: <i>Leases</i> or IFRS 16: <i>Leases</i>.</p> <p>Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised.</p> |

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 1 BASIS OF PREPARATION (continued)

#### 1.3 IFRS and IFRIC interpretation not yet effective (continued)

| Standard                             | Description  | Effective for financial periods commencing | Anticipated impact  |
|--------------------------------------|--|--|---|
| IFRS 9<br><small>(continued)</small> | <i>Financial Instruments</i><br><small>(continued)</small>                 | January 2018<br><small>(continued)</small> | <p><b>Hedge accounting</b></p> <p>Hedge effectiveness testing is prospective, without the 80% to 125% "bright line" test in IAS 39, and, depending on the hedge complexity, will often be qualitative.</p> <p>A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measurable.</p> <p>The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging.</p> <p>More designations of groups of items as the hedged item are possible, including layer designations and some net positions.</p> <p>The group assessed the impact of this new standard on its financial year commencing 1 July 2018. Refer item: 2 New accounting standards for details of this assessment performed.</p> |
|                                      | <i>Prepayment Features with Negative Compensation – amendments to IFRS</i> | January 2019                               | <p>The amendments to IFRS 9 clarify that a financial asset passes the solely payments of principal and interest test (SPPI criterion) regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.</p> <p>The basis for conclusions to the amendments clarify that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.</p> <p>The group is in the process of determining the impact of the amendments on its results. The interpretation will be adopted in the financial year commencing 1 July 2019.</p>   |
| IFRS 15                              | <i>Revenue from Contracts with Customers</i>                               | January 2018                               | <p>The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.</p>  |

**1 BASIS OF PREPARATION (continued)**  
**1.3 IFRS and IFRIC interpretation not yet effective (continued)**

| Standard               | Description  | Effective for financial periods commencing | Anticipated impact  |
|------------------------|--|--|---|
| IFRS 15<br>(continued) | <i>Revenue from Contracts with Customers – (continued)</i> | January 2018<br>(continued)                | <p>The principles in IFRS 15 will be applied using a five-step model:</p> <ol style="list-style-type: none"> <li>1. identify the contact(s) with a customer</li> <li>2. identify the performance obligations in the contract</li> <li>3. determine the transaction price</li> <li>4. allocate the transaction price to the performance obligations in the contract</li> <li>5. recognise revenue when (or as) the entity satisfies a performance obligation</li> </ol> <p>The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers.</p> <p>The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.</p> <p>The group assessed the impact of this new standard on its financial year commencing 1 July 2018. Refer item: 2 New accounting standards for details of this assessment performed.</p>  |
| IFRS 16                | <i>Leases</i>  | January 2019                               | <p>IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees:</p> <ol style="list-style-type: none"> <li>1. leases of “low-value” assets (eg personal computers)</li> <li>2. short-term leases (ie leases with a lease term of 12 months or less)</li> </ol> <p>At the commencement date of a lease, a lessee will recognise a liability to make lease payments (ie the lease liability) and an asset representing the right to use the underlying asset during the lease term (ie the right-of-use asset).</p> <p>Lessees will be required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (eg a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from current accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.</p> <p>The group is in the process of determining the impact of the standard on its results. The standard will be adopted in the financial year commencing 1 July 2019.</p> |

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 1 BASIS OF PREPARATION (continued)

#### 1.3 IFRS and IFRIC interpretation not yet effective (continued)

| Standard                 | Description  | Effective for financial periods commencing | Anticipated impact  |
|--------------------------|--|--|---|
| IFRIC Interpretation 22  | <i>Foreign Currency Transactions and Advance Consideration</i> | January 2018                               | <p>The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.</p> <p>The group is in the process of determining the impact of the interpretation on its results. The interpretation will be adopted in the financial year commencing 1 July 2018.</p>   |
| IFRIC Interpretation 23  | <i>Uncertainty over Income Tax Treatments</i>                  | January 2019                               | <p>The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.</p> <p><b>Key requirements</b></p> <p>The interpretation specifically addresses the following:</p> <ul style="list-style-type: none"> <li>- whether an entity considers uncertain tax treatments separately</li> <li>- the assumptions an entity makes about the examination of tax treatments by taxation authorities</li> <li>- how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>- how an entity considers changes in facts and circumstances</li> </ul> <p>An entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.</p> <p>The group is in the process of determining the impact of the interpretation on its results. The interpretation will be adopted in the financial year commencing 1 July 2018.</p> |
| The Conceptual Framework |  | January 2020                               | <p>The IASB issued the Conceptual Framework in March 2018, setting out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards.</p> <p>The Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.</p> <p>The group is in the process of determining the impact of the Conceptual Framework on its results. The Conceptual Framework will be adopted in the financial year commencing 1 July 2020.</p>   |

All other new standards, amendments and other interpretations issued but not yet effective are not considered to have a material impact to the results or disclosures of the group.

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## 2 NEW ACCOUNTING STANDARDS

### 2.1 IFRS 9: *Financial Instruments (IFRS 9)*

IFRS 9 has replaced IAS 39: *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and financial liabilities, their impairment and hedge accounting. The group plans to adopt the new standard on 1 July 2018 which is the group's effective date of adoption.

#### Recognition and measurement

The recognition and measurement of financial instruments depend on their classification as described below:

##### Available-for-sale investments

The available-for-sale investments will be classified as financial assets measured at fair value through other comprehensive income. The impact of this is that all fair value gains and losses will not be recognised in the income statement but will remain in other comprehensive income. This represents a change from the previous treatment of gains and losses recorded on remeasurement of these investments, which required impairment losses as well as gains and losses on disposal to be recognised in the income statement. Initial and subsequent measurement will remain at fair value.

##### Loans (interest and non-interest-bearing)

Loans that were previously classified as loans and receivables, seeing as the business models are to collect contractual cash flow from the financial assets and the cash flows are solely payments of interest and principal amounts on specific dates, the classification will change to financial assets at amortised cost. The measurement and recognition will remain the same.

The loans and preference shares recorded in the company's separate financial statements to the special-purpose vehicles will be classified as fair value through profit or loss and will be measured at fair value initially as well as subsequently. Under IAS 39, these financial assets were subsequently measured at amortised cost.

##### Trade and other receivables and cash and cash equivalents

These financial assets satisfy the criteria to be classified as financial assets at amortised cost with negligible change to recognition and measurement, refer below consideration of the new expected credit loss requirements.

##### Borrowings (interest and non-interest-bearing)

The recognition and measurement of interest and non-interest-bearing borrowings fall within the definition of financial liabilities at amortised cost. The recognition and measurement will remain unchanged, initially measurement will be at fair value and subsequent measurement at amortised cost.

##### Trade and other payables

Trade and other payables will be classified as financial liabilities at amortised cost with no change to recognition and measurement.

#### Expected credit loss model

The group assessed at each statement of financial position date whether a financial asset or group of financial assets are impaired under IAS 39. Under IFRS 9, an expected credit loss will be accounted for all financial assets included in the scope as below:

##### Cash and cash equivalents

The impact of the expected credit losses on financial assets classified at amortised cost was considered by applying the general approach; however, the impact is expected to be negligible.

##### Trade and other receivables

The impact of the expected credit losses on financial assets classified at amortised cost was considered by applying the simplified approach, however, the impact is expected to be negligible.

##### Loans receivable

The impact of the expected credit loss model on receivable loan balances recorded in the consolidated statement of financial position was considered by applying the general approach, with the impact anticipated to be negligible.

Loans recorded in the company's separate financial statements are measured at fair value through profit and loss and therefore not subject to the expected credit loss model.

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 2 NEW ACCOUNTING STANDARDS (continued)

#### 2.2 IFRS 15: Revenue from Contracts with Customers (IFRS 15)

IFRS 15 was issued in May 2014, and amended in April 2016, and will supersede all current revenue recognition requirements under IFRS. The core principle of IFRS 15 is that an entity shall recognise revenue to fairly reflect the transfer of contracted goods or services for delivery or performance respectively to customers, measured at the amount of consideration the entity expects to be entitled to in exchange for those goods or services.

The group has elected to adopt a full retrospective approach to the adoption of IFRS 15 however, it has been determined that the impact on the reported gross profit of previous years is negligible and will therefore not require adjustment.

#### Sale of mining and beneficiated products

The group's revenue is primarily derived from the sale of commodity products. The timing of revenue recognition is dependent on the sales contract terms as documented in the International Commercial terms (incoterms).

In terms of IFRS 15, revenue is recognised for free-on-board (FOB) and deliver-at-place (DAP) shipments once the commodity products are loaded onto the vessel, hence no change is expected when compared to the current approach. The shipping service for all export sales shipped using the cost, insurance and freight (CIF) and cost and freight (CFR) incoterms, represents a separate performance obligation, ie the sale and shipment of goods represent two performance obligations. The primary performance obligation is the supply of the commodity products, in which instance the revenue will be recognised once the buyer takes control of the goods. The other performance obligation is the delivery of the shipping service where the revenue earned will be recognised over the period that the service is rendered.

Some of the group's sales transactions contain provisional pricing features which are considered fair value adjustments in terms of IFRS 9. IFRS 15 states that if a contract is partially within the scope of this standard and partially in the scope of another standard (IFRS 9), an entity will first apply the separation and measurement requirements of the other standard(s). Consequently, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 15 and the group will be required to account for these adjustments in accordance with IFRS 9.

Any subsequent changes because of differences between the initial specifications of the material sold and the agreed concluding condition of the material finally invoiced (commonly referred to as the "outturn results") will still be considered within the scope of IFRS 15 and will be subject to the constraint on estimates of variable consideration. When considering the initial revenue calculation, the group has considered the requirements of IFRS 15 in relation to the constraint on estimates of variable consideration. It will only include amounts in the calculation of revenue where it is highly probable that a significant reversal of revenue will not occur, ie there will be no significant reversal of revenue from the initial to the outturn results.

Revenue in terms of contracts with customers will be recognised when control passes to the customer and will be measured at the amount the entity expects to be entitled to, being the estimate of the price expected to be received at the end of the quotational period (QP), ie using the most recent estimate of the metal content of the commodity product (based on the initial outturn results) and the estimated forward price. The outturn result differences, as discussed above, are usually not material to the group. However, there may be a material change in the commodity price from the date control passes to the customer compared to the date of the final invoice. This movement from provisional to final price is linked to the movement in either quoted indices or what is agreed to as current pricing in the market at the time the final price is confirmed. Consistent with current practice, any subsequent changes that result in differences between initial to final outturn results will be recognised as an adjustment to revenue.

IFRS 15 requires "revenue from contracts with customers" to be disclosed separately from other types of revenue. Therefore, revenue recognised from the initial sale must be separately disclosed in the financial statements from any revenue/income recognised from subsequent movements in the fair value of the related receivable, ie the debtor. This requirement will have an impact on disclosure as the group currently recognises this "fair value adjustment" in revenue. The group will continue to recognise this "fair value adjustment" in revenue. However, the group will disclose the total value of these fair value adjustments in the note to revenue.

Revenue from technical fees and commissions on sales are recognised as the services are rendered which is on the date the control passes in the underlying transaction. The application of IFRS 15 will not result in changes to the revenue recognised arising from technical fees and commission income.

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### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### 3.1 Judgements

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

##### Consolidation of special-purpose vehicles

The Boleng Trust and Fricker Road Trust (the trusts) are broad-based community trusts which are for the benefit of historically disadvantaged South Africans (HDSAs) as contemplated in the Mining Charter. The trusts are invested in special-purpose vehicles (SPVs), namely Main Street 350 Proprietary Limited (RF), Main Street 460 Proprietary Limited (RF) and Main Street 904 Proprietary Limited (RF). The group has considered the requirements of IFRS 10: *Consolidated Financial Statements* in assessing whether it controls the trusts and the SPVs, both which are structured entities (SEs) as defined in IFRS 12: *Disclosure of Interests in Other Entities*. Based on the contractual terms (namely those contained in the relationship agreements which govern the operation of SEs) the voting rights in the SEs are not considered to be the dominant factor in determining control. Factors such as design and purpose of the SEs, the fact that the SEs are indebted to the group, together with the restrictions placed on the Assore shares held by the SEs (either directly or indirectly) have resulted in the group's management concluding that the SEs (the trusts and the SPVs) are controlled by the group and have therefore been consolidated in the group financial statements in order to comply with the requirements of IFRS 10. Similarly, since the Assore Employee Trust (also an SE), which is operated by the group and the SPV in which the trust is invested, is indebted to the group, it has been consolidated in the group financial statements in accordance with IFRS 10. Accordingly, the Assore shares controlled by these SEs are accounted for as treasury shares (refer item 13).

##### Impairment of available-for-sale investments

The group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in fair value below their original cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its original cost.

Refer note 4 to the consolidated financial statements for the impairment on the available-for-sale investments.

#### 3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

##### Project risk and exploration expenditure

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

- the degree of certainty over the mineralisation of the orebody; commercial risks including, but not limited to, country risks; and prior exploration knowledge available about the target orebody, which reduces the level of risk associated with the capitalisation of this expenditure to an acceptable level.

##### Production stripping costs

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

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



## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

#### 3.1 Judgements (continued)

##### Production stripping costs (continued)

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

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s). Refer note 2 to the consolidated financial statements.

##### Provisions for environmental rehabilitation

The group provides for the estimated costs of rehabilitation which include both restoration and decommissioning of associated assets. An environmental liability assessment is conducted by an independent adviser on an annual basis to assess the adequacy of the environmental rehabilitation provisions. A risk of material adjustment exists due to the inherent uncertainty surrounding the future life of the mines, the forward-looking nature of the provisions and the uncertainty regarding the underlying assumptions. Refer note 15 to the consolidated financial statements.

##### Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the group's mines, based on proven and probable ore reserves. The group estimates its ore reserves and Mineral Resources based on information compiled by appropriately qualified persons, relating to the geological data on the size, depth and shape of the orebody, and require complex geological judgements to interpret the data. Changes in the reserve or resource estimates may impact the carrying value of exploration and mining assets in terms of depreciation charged and possible impairment. Refer note 2 to the consolidated financial statements.

##### Depreciation based on units of production

Costs related to the development and infrastructure of the mine to the stage when economically accessible reserves are to be extracted, are depreciated over the entire proven and probable reserves for the relevant Mineral Resource. Subsequent development and infrastructure costs incurred in accessing Mineral Resources are depreciated over the expected proven and probable reserves expected to be extracted for each phase of the planned mining activity, taking into account reasonably certain plans for ongoing economically feasible mining activity. Refer note 2 in the notes to the consolidated financial statements.

##### Impairment of non-financial assets

The group assesses each cash-generating unit annually to determine whether any indicators of impairment exist. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered the higher of the fair value less cost to sell and value-in-use. These assessments require the use of estimates and assumptions such as commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted at an appropriate discount rate to determine the net present value. For the purpose of calculating the impairment of any asset, management regards an individual mine or works site as a cash-generating unit. Refer note 2 to the consolidated financial statements.



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## 4 BASIS OF CONSOLIDATION

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

### 4.1 Subsidiary companies

Investments in subsidiary companies are accounted for at cost less impairments in the separate company financial statements, and with subsidiary companies being consolidated as part of group financial statements. Consolidation of a subsidiary is applied when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date that the group gains control until the date that the group ceases to control the subsidiary. All intragroup assets and liabilities, equity, income and expenses and cash flows relating to these transactions between members of the group are eliminated in full on consolidation.

Non-controlling interests (NCI) represent the portion of profit or loss and equity not held by the group which are presented separately in the consolidated income statement and statement of comprehensive income and within equity in the consolidated statement of financial position. The NCI is allocated its share of the total comprehensive income/(losses) for the period, even if that results in a deficit balance.

### 4.2 Joint ventures

Investments in joint ventures are accounted for in the company at cost less impairments. Investments in joint ventures are accounted for using the equity method. Carrying amounts of the investment are adjusted to recognise changes in the group's share of net assets of the joint venture since the acquisition date. Goodwill relating to joint ventures are included in the carrying amount of the investment and are not amortised nor individually tested for impairment.

The consolidated income statement and statement of comprehensive income reflect the group's share of the results of operations of joint ventures. Where changes have been recognised directly in the equity of the joint venture, the group recognises its share of any changes, when applicable, in its statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the joint venture are eliminated to the extent of the interest in the joint ventures.

At each reporting date, the group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognises the loss in the "Share of profit from joint-venture entity, after taxation" to the consolidated income statement.

On loss of joint control over a joint venture, the group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 4 BASIS OF CONSOLIDATION (continued)

#### 4.3 Associates

The group's investment in its associate is accounted for using the equity method. The group's share of its profit or loss is based on the associate's most recent audited financial statements or unaudited interim statements drawn up to the date of the group's statement of financial position. Investments in associates are accounted for in the company at cost less impairments. The carrying value of the investment in associate is adjusted to recognise the group's share of the net assets, including the carrying value of goodwill.

The carrying value of the associate is reviewed on a regular basis and if there is objective evidence that an impairment in this amount has occurred because of one or more events during the year, the investment is impaired. If there is such evidence, the group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value, then recognises the loss in the "Share of profit of an associate" in the income statement.

The income statement and statement of other comprehensive income (OCI) reflect the group's share of the results of operations of associates. Any change in OCI of that investee is presented as part of the group's OCI. In addition, where changes have been recognised directly in the equity of the associates, the group recognises its share of any changes, when applicable, in its statement of changes in equity.

The aggregate of the group's share of profit or loss of associates is separately shown in the income statement and represents the profit or loss after tax of the associates.

The group's share of losses in associates that exceed its interest are not recognised unless the group has an obligation to fund such losses.

On loss of significant influence over an associate, the group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and fair value of the retained investment and proceeds from disposal is recognised in the income statement.

### 5 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

#### 5.1 General

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

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. When an item of plant and equipment comprises several significant components each with different useful lives, these components are recorded and depreciated separately. Expenditure incurred to replace or modify a significant component of plant is capitalised and the remaining book value of the original component is derecognised in the income statement.

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

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## 5 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

### 5.2 Production stripping costs

The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets, as incurred by the group's joint-venture entity, whose results are equity-accounted for, ceases when the mine is commissioned and ready for production.

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

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

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

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

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

### 5.3 Prospecting, exploration, mine development and decommissioning assets

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

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

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

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

Engineering and technical activities in relation to evaluating the technical feasibility and commercial viability of Mineral Resources are treated as forming part of exploration expenditures.

Underground mine development includes all directly attributable development costs, such as drilling and blasting, ventilation installation, loading and hauling and other support structure costs, including those incurred prior to the commencement of stoping, and are capitalised when incurred.

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 5 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

#### 5.4 Depreciation

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

##### Mineral and prospecting rights

Mineral Reserves, which are being depleted, are amortised over their estimated useful lives using the units-of-production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years. Mineral rights which are not being depleted are not amortised.

##### Land and buildings

Land is not depreciated. Owner-occupied properties, which are designed for a specific use, are only depreciated if carrying value exceeds estimated residual value, in which case they are depreciated to estimated residual value on a straight-line basis over their estimated useful lives. Depending on the group operations, buildings are depreciated over a minimum of 15 years, but no longer than a period of 25 years.

Mine and industrial properties are depreciated to estimated residual values at the lesser of life-of-mine and expected useful life of the asset on the straight-line basis.

##### Plant, machinery and equipment

Mining plant, machinery and equipment is depreciated over the lesser of its estimated useful life, estimated at between five and 25 years (being the remaining life of the mine), 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, machinery and equipment is depreciated on the straight-line basis, over its useful life, up to a maximum of 25 years.

##### Vehicles

Vehicles are depreciated on the straight-line basis. The annual depreciation rates used vary between five and nine years.

##### Furniture and fittings

Furniture and fittings are depreciated on the straight-line basis. The annual depreciation rates used vary between three and 10 years.

##### Office equipment

Office equipment is depreciated on the straight-line basis. The annual depreciation rates used vary between two and 11 years.

##### Computer hardware

Computer hardware is depreciated on the straight-line basis. The annual depreciation rates used vary between two and 11 years.

##### Computer software

Computer software is depreciated on the straight-line basis. The annual depreciation rates used vary between three and five years.

##### Capital work-in-progress

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

##### Mining development assets

Mining development assets are depreciated using the units-of-production method based on proven and probable ore reserves. The tonnes used to determine depreciation include all the proven and probable ore reserves that management expects to access within the respective phase. The proven and probable ore reserves of other phases are adjusted to include those reserves that management determines will be extracted from these areas that are to be developed (refer item 3.1 Depreciation based on units of production) once it has been determined that these other phases of mining will be undertaken.

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## 6 INTANGIBLE ASSETS

### Intangible assets other than goodwill

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

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

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

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

## 7 BUSINESS COMBINATIONS

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

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

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

## 8 IMPAIRMENT OF NON-FINANCIAL ASSETS

The group assesses at each reporting date whether there is an indication that the carrying value of an asset or a CGU may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset/CGU.

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

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 9 NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups (the assets) are classified as held-for-sale if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use.

This condition will only be regarded as met if, among others, the assets are available-for-sale in their present condition and the sale transaction is highly probable.

For a sale transaction to be highly probable, management must be committed to a plan to sell the assets, an active programme to locate a buyer to complete the plan must have been initiated, and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification as held-for-sale.

Non-current assets and disposal groups held for sale are measured at the lower of their previous carrying amounts and the fair values less costs to sell and is ceased to be depreciated from the date of classification as held-for-sale.

None of the group's non-current assets or disposal groups held-for-sale in management's view met the definition of discontinued operations at the reporting period, as the assets:

- did not represent either a separate major line of business or a geographical area of operations; or
- were part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- were a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control.

### 10 FINANCIAL INSTRUMENTS

#### 10.1 Recognition and measurement

The recognition and measurement of financial instruments depend on their classification as described below:

##### Available-for-sale investments

All investments are initially recognised at fair value, including acquisition charges associated with the investment. After initial recognition, available-for-sale investments are subsequently measured at fair value, which equates to market value.

Gains and losses on subsequent measurement of available-for-sale investments are recognised in other comprehensive income until the investment is disposed of, or its original cost is considered to be impaired, at which time the cumulative gain previously reported in other comprehensive income and the impairment below the cost, where considered significant or prolonged, is reclassified to the income statement.

The fair value of available-for-sale investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques such as discounted cash flow analysis.

##### Trade and other receivables

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

##### Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less but exclude any restricted cash that is not available for use by the group and therefore is not considered highly liquid.

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

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## 10 FINANCIAL INSTRUMENTS (continued)

### 10.1 Recognition and measurement (continued)

#### Preference shares, trade and other payables

Preference shares, trade and other payables are initially recognised at fair value, including any transaction costs directly associated with the borrowing, and subsequently stated at amortised cost, being the initial recognised obligation less any repayments made and any other adjustments plus interest accrued.

#### Interest and non-interest-bearing loans and borrowings

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

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

### 10.2 Derivative financial instruments and hedging

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

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

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

### 10.3 Derecognition of financial assets and liabilities

#### Financial assets

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

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the liability extinguished or transferred to another party and the amount paid is included in the income statement. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with any resulting differences being recognised in profit or loss.

### 10.4 Offsetting of financial instruments

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

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 10 FINANCIAL INSTRUMENTS (continued)

#### 10.5 Impairment of financial assets

The group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired, which is determined on the following bases:

##### Assets carried at amortised cost

If there is objective evidence that an impairment loss has been incurred in respect of a financial asset, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (ie excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

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

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

##### Available-for-sale investments

Decreases, which in the opinion of management are significant and prolonged, in the fair value of available-for-sale investment, which are below their original cost are recorded in the income statement. Management's opinion of decreases that are significant and prolonged is dependent on the relative materiality of these fluctuations in relation to the market values of these investments. Impairments recorded against available-for-sale equity instruments in the income statement are not reversed, but rather subsequent increases in fair value are recorded in other comprehensive income.

### 11 INVENTORIES

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

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

### 12 FOREIGN CURRENCY TRANSLATION

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

#### 12.1 Foreign currency balances

Transactions in foreign currencies are converted to South African currency at the spot rate at the date the transactions first qualify for recognition. Monetary assets and liabilities denominated in a foreign currency at the end of the financial year are translated to South African currency at the functional currency spot rates of exchange at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated using functional currency spot rates on the date when the fair value was determined.

Foreign exchange gains or losses arising from foreign exchange transactions, whether realised or unrealised, are included in the determination of profit or loss. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the year. However, where fair value adjustments of non-monetary items are recognised in other comprehensive income, exchange differences arising on the translation of these non-monetary items are also recognised in other comprehensive income.



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## 12 FOREIGN CURRENCY TRANSLATION (continued)

### 12.2 Foreign entities

The assets and liabilities of subsidiaries with a different functional currency are translated at the rate of exchange ruling at the statement of financial position date. The income statements of these subsidiaries are translated at weighted average exchange rates for the year. The exchange differences arising on the retranslation are recognised in other comprehensive income. On disposal of a foreign entity, accumulated exchange differences are reclassified in the income statement as a component of the gain or loss on disposal.

## 13 ENVIRONMENTAL REHABILITATION EXPENDITURE

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

### 13.1 Decommissioning costs

The present value of estimated future decommissioning obligations at the end of the operating life of a mine is included in long-term provisions. The related decommissioning asset is recognised in property, plant and equipment when the decommissioning provision gives access to future economic benefits. The unwinding of the obligation is included in the income statement as finance costs.

The estimated cost of decommissioning obligations is reviewed annually and adjusted for legal, technological and environmental circumstances that affect the present value of the obligation for decommissioning. The related decommissioning asset is amortised using the lesser of the related asset's estimated useful life or units-of-production method based on estimated proven and probable ore reserves.

### 13.2 Restoration costs

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

### 13.3 Ongoing rehabilitation costs

Expenditure on ongoing rehabilitation is charged to the income statement as incurred.

Any subsequent changes to assumptions in estimating an obligation are added or deducted from the decommissioning asset to which it relates. Reductions over and above the remaining carrying value of the asset are recognised in the income statement.

## 14 TREASURY SHARES

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

## 15 TAXATION

### 15.1 Current taxation

Tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognised directly in other comprehensive income is recognised in the statement of other comprehensive income and not in the income statement.

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 15 TAXATION (continued)

#### 15.2 Deferred taxation

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

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

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

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

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

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

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

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

#### 15.3 Value added taxation (VAT)

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

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

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

#### 15.4 Mining royalty taxation

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

#### 15.5 Dividend withholding tax

Dividend withholding tax is payable at a rate of 20% on dividends distributed to shareholders. Dividends paid to companies, certain other institutions and certain individuals are not subject to this withholding tax. This tax is not attributable to the company paying the dividend but is collected by the company and paid to the tax authorities on behalf of the shareholder.

On receipt of a dividend, the company includes the dividend withholding tax on this dividend in its computation of the income tax expense in the period of such receipt.

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## 16 PROVISIONS

Provisions are recognised when:

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

A present obligation is considered to exist when it is probable that an outflow of economic benefits will occur. The amount recognised as a provision is the best estimate at the statement of financial position date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision was raised is charged to the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

## 17 REVENUE

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

### Sale of mining and beneficiated products

Sale of mining and beneficiated products represents the free on board (FOB) or cost, insurance and freight (CIF) sales value of ores and alloys exported and the free on rail (FOR) sales value of ores and alloys sold locally. Sales of mining and beneficiated products are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

### Technical fees and commissions on sales

Revenue from technical fees are recognised as the service is rendered. Commission on sales is recognised when the risks and rewards of the underlying sales transaction passes.

### Interest received

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

### Dividends received

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

## 18 SHARE-BASED PAYMENT TRANSACTIONS

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

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

## 19 POST-EMPLOYMENT BENEFITS

Retirement benefit plans operated by the group are of both the defined benefit and defined contribution types. The cost of providing benefits under defined benefit plans is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past-service costs are recognised in the income statement on the earlier of:

- the date of the plan amendment or curtailment; or
- the date that the group recognises restructuring-related costs.

The net interest cost is calculated by applying the discount rate to the net defined benefit liability or asset. The group recognises the following changes in the net defined benefit obligation in the income statements:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest cost.

## ACCOUNTING POLICIES continued

for the year ended 30 June 2018

### 19 POST-EMPLOYMENT BENEFITS (continued)

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled. The value of any defined benefit asset recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

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

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

### 20 CONTINGENT LIABILITIES

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

### 21 DEFINITIONS

#### Earnings and headline earnings per share

The calculation of earnings per share is based on net income after taxation and after adjusting for non-controlling interests divided by the weighted number of shares outstanding during the period.

Headline earnings comprise earnings for the year, adjusted for profits and losses on items of a capital nature. Headline earnings have been calculated in accordance with Circular 4/2018 issued by the South African Institute of Chartered Accountants. Adjustments against earnings are made after considering attributable taxation and non-controlling interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

#### Cash resources

The cash resources disclosed in the cash flow statement comprise cash on hand, deposits held on call with banks and highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant changes in value. Bank overdrafts have been separately disclosed in the statement of financial position.

#### Cost of sales

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

#### Dividends per share

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

#### Incoterms

Incoterms (international commercial terms) is a set of standardised export pricing terms developed by the International Chamber of Commerce (ICC) and which is endorsed by the United Nations Commission on International Trade Law (UNCITRAL).

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Desmond Sacco (Chairman)<sup>#</sup>  
 CE Walters (Chief executive officer)  
 RA Davies (Chief financial officer)  
 PE Sacco (Group marketing director)  
 BH van Aswegen (Technical and operations director)<sup>o</sup>

### NON-EXECUTIVE DIRECTORS

EM Southey (Deputy chairman and lead independent director)<sup>†\*\*</sup>  
 DN Aitken<sup>†</sup>  
 TN Mgoduso<sup>o</sup>  
 S Mhlarhi<sup>†\*</sup>  
 WF Urmson<sup>†\*o#</sup>

<sup>#</sup> Member of the Remuneration Committee

<sup>o</sup> Member of the Social and Ethics Committee

<sup>†</sup> Independent

<sup>\*</sup> Member of the Audit and Risk Committee

### 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  
 Email: info@assore.com  
 www.assore.com

### TRANSFER SECRETARIES AND SHARE TRANSFER OFFICE

Singular Systems Proprietary Limited  
 28 Fort Street  
 Birnam  
 Johannesburg, 2196

### AUDITORS

Ernst & Young Inc.  
 102 Rivonia Road  
 Sandton  
 Johannesburg, 2196

### ATTORNEYS

Webber Wentzel  
 90 Rivonia Road  
 Sandton  
 Johannesburg, 2196

Norton Rose Fullbright  
 15 Alice Lane  
 Sandton, 2196

### BANKERS

The Standard Bank of South Africa Limited  
 30 Baker Street  
 Rosebank, Johannesburg, 2196

### CORPORATE INFORMATION

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

### SPONSOR

The Standard Bank of South Africa Limited  
 30 Baker Street  
 Rosebank, Johannesburg, 2196





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[www.assore.com](http://www.assore.com)