Notes to the summarised consolidated financial statements

for the year ended 30 June 2019

1 INVESTMENT IN JOINT-VENTURE ENTITY

The group's principal investment is a 50% (2018: 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 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 2019.

	2019 R'000	2018 R'000
Consolidated income statement of Assmang		
Turnover	35 613 171	27 548 235
Cost of sales	(18 445 160)	(16 206 770)
Gross profit	17 168 011	11 341 465
Other operating income	1 298 861	1 356 756
Other operating expenses	(4 943 576)	(3 469 816)
Profit from operations	13 523 296	9 228 405
(Loss)/profit from joint-venture entity	(1 120 950)	236 606
Income from investments	614 102	597 514
Finance costs	(96 203)	(68 046)
Profit before taxation	12 920 245	9 994 479
Taxation	(3 822 504)	(2 920 956)
Profit for the year, net of taxation	9 097 741	7 073 523
Other comprehensive income	18 631	265 267
Total comprehensive income for the year, net of taxation (group interest therein 50% (2018: 50%)) (refer "Equity accounted results for Assmang" below)	9 116 372	7 338 790
Dividends declared during the year	6 630 000	6 000 000
Abridged consolidated statement of financial position of Assmang		
Total assets		
Non-current assets	27 153 112	26 509 377
Current assets		
Inventories	4 961 281	4 392 486
Trade and other receivables	7 473 455	5 522 327
Financial assets	187 845	228 367
Cash resources	6 104 583	5 014 065
	45 880 276	41 666 622
Total liabilities		
Non-current liabilities		
Deferred taxation	6 358 502	5 809 009
Long-term provisions	1 079 186	897 397
Trade and other payables	84 519	89 217
Current liabilities		
Trade and other payables	2 664 249	1 819 476
Short-term provisions	983 207	960 674
Taxation	308 326	206 184
Financial liabilities	31 250	—
	11 509 239	9 781 957
Net assets	34 371 037	31 884 665
Proportion of the group's ownership	50%	50%
Carrying amount of investment		
Opening balance	15 984 321	15 327 400
Share of profit, net of taxation	4 536 396	3 524 287
Share of other comprehensive income, net of taxation	9 315	132 634
Less: Dividends received	(3 315 000)	(3 000 000)
Carrying amount of investment in statement of financial position	17 215 032	15 984 321

	2019 R'000	2018 R'000
1 INVESTMENT IN JOINT-VENTURE ENTITY (continued)		
Carrying amount of investment (continued)		
Capital expenditure	**4 407 332**	3 082 204
Capital commitments	**3 847 951**	2 844 692
– contracted for	**1 755 706**	941 078
– not contracted for	**2 092 245**	1 903 614
Equity accounted results of Assmang		
Total comprehensive income for the year, net of taxation	**9 116 372**	7 338 790
Less: Other comprehensive income from operations	**(18 631)**	(265 267)
Assmang profit after taxation	**9 097 741**	7 073 523
50% thereof	**4 548 870**	3 536 761
Group consolidation adjustments	**(12 474)**	(12 474)
Share of profit from joint-venture entity after taxation per income statement	**4 536 396**	3 524 287
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:		
– property, plant and equipment of Sakura Ferroalloys Sdn Bhd (Malaysia) (Sakura)	**625 874**	—
– investment in associate of joint venture	**387 542**	—
– Black Rock - winder	**41 911**	—
– feasibility studies relating to manganese operations	**—**	51 900
	1 055 327	51 900

2019 saw several major ferroalloy producers announce production cuts in an attempt to curb loses and achieve a more balanced ferroalloy market, which was, and remains oversupplied. Elevated input costs and weak alloy prices pressurised profit margins, which are not expected to recover in the short term. Accordingly, by way of using a discounted cash flow model, management at Sakura have recorded an impairment charge against its property, plant and equipment of Malaysian ringgit (MYR) 338 million, of which Assmang's equity-accounted portion (54,36%) amounts to R626 million. In addition, management at Assmang have assessed Assmang's equity-accounted carrying value its joint venture investment in Sakura, in comparison to its determined fair value (less cost to sell) and have recorded an additional impairment charge in this respect of R388 million. Assore's 50% share of the sum of these charges amounts to R507 million.