## 3 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. On 28 February 2019, Assmang concluded the disposal of Machadodorp Works.

### Dwarsrivier

Dwarsrivier is a 100% owned subsidiary, which mines 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 (Rustenburg Minerals), Zeerust Chrome Mines Limited (Zeerust), 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.

Rustenburg Minerals was identified as a disposal group held-for-sale at 30 June 2019 and Zeerust was disposed with effect on 15 November 2018 (refer note 10).

# Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2019

## 3 SEGMENTAL INFORMATION (continued)

| R'000 | Joint venture mining and beneficiation: Iron Ore division | Joint venture mining and beneficiation: Manganese division | Joint venture mining and beneficiation: Chrome division | Sub-total | Dwarsrivier | Marketing and distribution | Other mining activities, eliminations and adjustments[1] | Total |
|---|---|---|---|---|---|---|---|---|
| **Year to 30 June 2019** | | | | | | | | |
| Revenues | | | | | | | | |
| Third party | 21 410 200 | 14 817 073 | — | 36 227 273 | 3 720 788 | 4 304 376 | (36 111 968) | 8 140 469 |
| Inter-segment | — | — | — | — | — | 148 694 | (148 694) | — |
| Total revenues | 21 410 200 | 14 817 073 | — | 36 227 273 | 3 720 788 | 4 453 070 | (36 260 662) | 8 140 469 |
| Revenue from contracts with customers | 19 208 702 | 14 785 776 | — | 33 994 478 | 3 717 428 | 3 876 602 | (33 994 478) | 7 594 030 |
| Cost, insurance and freight (CIF) and cost and freight (CFR) | 9 963 383 | 10 454 919 | — | 20 418 302 | 1 101 677 | — | (20 418 302) | 1 101 677 |
| Free on board (FOB) and free carrier (FCA) | 9 245 319 | 4 330 857 | — | 13 576 176 | 2 615 751 | 2 614 173 | (13 576 176) | 5 229 924 |
| Commissions | — | — | — | — | — | 1 262 429 | — | 1 262 429 |
| Other revenue[2] | 615 858 | 31 297 | — | 647 155 | 73 218 | 576 468 | (680 544) | 616 297 |
| Fair value adjustments to contract revenue[3] | 1 585 640 | — | — | 1 585 640 | (69 858) | — | (1 585 640) | (69 858) |
| Total revenue | 21 410 200 | 14 817 073 | — | 36 227 273 | 3 720 788 | 4 453 070 | (36 260 662) | 8 140 469 |
| Contribution to profit/(loss) for the year[4] | 6 796 084 | 2 301 657 | — | 9 097 741 | 516 024 | 1 003 439 | (9 166 351) | 1 450 853 |
| Contribution to headline earnings[5] | 6 795 378 | 3 216 100 | — | 10 011 478 | 516 024 | 1 008 818 | (5 154 552) | 6 381 768 |
| Impairment of financial and non-financial assets | (41 911) | (1 013 415) | — | (1 055 326) | — | — | 1 055 326 | — |
| **Statement of financial position** | | | | | | | | |
| Consolidated total assets | 24 087 673 | 21 792 602 | — | 45 880 275 | 3 473 323 | 30 299 954 | (45 547 281) | 34 106 271 |
| Consolidated total liabilities | 6 836 841 | 4 672 405 | — | 11 509 246 | 963 671 | 3 291 566 | (11 460 594) | 4 303 889 |
| **Other information** | | | | | | | | |
| Finance income | 582 805 | 31 297 | — | 614 102 | 73 218 | 565 471 | (695 354) | 557 437 |
| Finance costs | 43 676 | 52 527 | — | 96 203 | 7 524 | 35 531 | (83 956) | 55 302 |
| Depreciation and amortisation | 1 456 856 | 680 988 | — | 2 137 844 | 105 665 | 10 271 | (2 133 509) | 120 271 |
| Taxation | 2 568 972 | 1 253 532 | — | 3 822 504 | 159 748 | 460 262 | (3 812 758) | 629 756 |
| Capital expenditure | 2 097 646 | 2 309 686 | — | 4 407 332 | 485 306 | 11 085 | (4 404 151) | 499 572 |

1 *The majority of adjustments are relating to Assmang which is equity accounted*
2 *Mainly dividends and interest*
3 *Provisional to final price adjustment*
4 *Profit after taxation, before joint venture entity and associates*
5 *Includes equity-accounted results of Assmang and IronRidge*

## 3 SEGMENTAL INFORMATION (continued)

| | Joint venture mining and beneficiation | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **R'000** | Iron Ore division | Manganese division | Chrome division | Sub-total | Dwarsrivier | Marketing and shipping | Other mining activities, eliminations and adjustments[1] | Total |
| **Year to 30 June 2018** | | | | | | | | |
| 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 |
| Revenue from contracts with customers | 14 673 168 | 12 818 447 | 180 309 | 27 671 924 | 3 791 405 | 3 472 369 | (27 752 454) | 7 183 244 |
| Cost, insurance and freight (CIF) and cost and freight (CFR) | 5 790 880 | 7 095 257 | — | 12 886 137 | 842 187 | — | (12 886 137) | 842 187 |
| Free on board (FOB) and free carrier (FCA) | 8 882 288 | 5 723 190 | 180 309 | 14 785 787 | 2 949 218 | 2 493 364 | (14 866 317) | 5 362 052 |
| Commissions | — | — | — | — | — | 979 005 | — | 979 005 |
| Other revenue[2] | 630 807 | 41 189 | — | 671 996 | 87 554 | 520 146 | (671 996) | 607 700 |
| Fair value adjustments to contract revenue[3] | (168 659) | — | — | (168 659) | 13 793 | — | 168 659 | 13 793 |
| Total revenue | 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[4] | 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[5] | 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) |
| **Statement of financial position** | | | | | | | | |
| 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 |
| **Other information** | | | | | | | | |
| 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 |

[1] *The majority of adjustments are relating to Assmang which is equity accounted*
[2] *Mainly dividends and interest*
[3] *Provisional to final price adjustment*
[4] *Profit after taxation, before joint venture entity and associates*
[5] *Includes equity-accounted results of Assmang and IronRidge*

# Notes to the summarised consolidated financial statements continued

for the year ended 30 June 2019

## 3 SEGMENTAL INFORMATION (continued)

### Geographical information

**Geographical segment by location of customers**

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

| | 2019 Assmang revenue by segment R'000 | 2019 Subsidiaries revenue by segment R'000 | 2019 Total R'000 | 2018 Assmang revenue by segment R'000 | 2018 Subsidiaries revenue by segment R'000 | 2018 Total R'000 |
|---|---|---|---|---|---|---|
| **Customers by locations** | | | | | | |
| Far East | **27 078 509** | **3 136 015** | **30 214 524** | 19 960 513 | 3 352 102 | 23 312 615 |
| Europe | **4 769 203** | **151 345** | **4 920 548** | 2 507 924 | 77 110 | 2 585 034 |
| USA | **684 999** | **2 876 644** | **3 561 643** | 976 274 | 2 740 625 | 3 716 899 |
| South Africa | **3 597 098** | **1 976 465** | **5 573 563** | 4 625 716 | 1 634 900 | 6 260 616 |
| Other – foreign | **97 464** | **—** | **97 464** | 104 834 | — | 104 834 |
| Total | **36 227 273** | **8 140 469** | **44 367 742** | 28 175 261 | 7 804 737 | 35 979 998 |

Notes:

1. There are no customers whose off-take represents more than 10% of revenue (2018: Rnil)
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*

## 4 COMMITMENTS

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

| | 2019 R'000 | 2018 R'000 |
|---|---|---|
| **Capital** | | |
| Expenditure authorised and contracted for | **357 213** | 229 906 |
| Expenditure authorised but not contracted for | **38 693** | 102 583 |
| | **395 906** | 332 489 |
| **Operating lease commitments** | | |
| Future minimum rentals payable under non-cancellable operating leases over premises and equipment which are payable as follows: | | |
| Within one year | **1 366** | 1 310 |
| After one year but not more than five years | **3 275** | 3 149 |
| The group's commitments will be met by future anticipated cash flows | **4 641** | 4 459 |

## ACCOUNTING POLICIES AND BASIS OF PREPARATION

The board of directors of Assore (the board) assumes full responsibility for the preparation of these summarised consolidated annual financial statements and for the correctness of the financial information extracted from the underlying annual financial statements, dated 18 October 2019. The summarised consolidated annual financial statements for the year have been prepared under the supervision of Mr RA Davies, CA(SA) and in accordance with IAS 34: *Interim Financial Reporting* and comply with IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Pronouncements as issued by Financial Reporting Standards Council, the Listings Requirements of the JSE Limited (JSE) and the Companies Act No 71 of 2008, as amended. The accounting policies applied are consistent with those adopted in the financial year ended 30 June 2018 except for IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*, which the group adopted on 1 July 2018, as described in the underlying annual financial statements for 2019, which can be obtained on the Assore website: https://www.assore.com/interim-and-final-results/.

## NEW ACCOUNTING STANDARDS

IFRS 16: *Leases* was issued in January 2016 and it replaces IAS 17: *Leases* and its related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The group intends to adopt IFRS 16 using the modified retrospective approach, with its application becoming effective from 1 July 2019, with the cumulative impact of its adoption to 30 June 2019 recognised as at 1 July 2019, without restatement of comparative results.

In 2019 a detailed impact assessment and implementation analysis of IFRS 16 was initiated, focusing on reviewing contracts, aggregating data to support the evaluation of the accounting impacts and identifying where key policy decisions were required. The impact of the standard is being considered and is not expected to have a material impact on the group's financial statements.

In terms of IFRS 16, operating leases recorded in the group's results for FY19 will be classified as a right of use asset. The contracts with suppliers were considered and the agreements have either been classified as short term (less than 12 months), considered as low value assets or the lease payment terms were based on a variable consideration, resulting in no right of use asset requiring recognition.

## INDEPENDENT AUDIT BY THE AUDITORS

These summarised consolidated annual financial statements for the year ended 30 June 2019 have been extracted from the complete set of annual financial statements on which the auditors, Ernst & Young Inc., have expressed an unqualified audit opinion. The auditor's opinion and annual financial statements are available for inspection at the registered office of the company. The summarised consolidated annual financial statements and the financial information have not been audited.

## DECLARATION OF FINAL DIVIDEND

Shareholders were advised that on 4 September 2019, the board approved final dividend number 125 (the dividend), of 1 400 cents per share (gross) for the year ended 30 June 2019.

In terms of paragraph 11.17 of the Listings Requirements of JSE Limited, shareholders were advised of the following with regard to the declaration:

1. The dividend was declared from retained earnings
2. The local dividend tax (dividend tax) rate of 20% applied
3. The net local dividend amount was 1 120 cents per share for shareholders liable to pay the dividend tax
4. The issued ordinary share capital of Assore is 139 607 000 shares, of which 36 459 925 (FY18: 36 445 970) shares are accounted for as treasury shares in terms of IFRS and are therefore excluded from earnings per share calculations
5. Assore's income tax reference number is 9045/018/84/4.

### The salient dates were as follows:

| | |
|---|---|
| Last day for trading to qualify and participate in the final dividend | Monday, 23 September 2019 |
| Trading "ex dividend" commenced | Wednesday, 25 September 2019 |
| Record date | Friday, 27 September 2019 |
| Dividend payment date | Monday, 30 September 2019 |
| Dates (inclusive) between which share certificates were not to be dematerialised or rematerialised | Wednesday, 25 September 2019 to Friday, 27 September 2019 |